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ANNUAL REPORT FISCAL 1982

STEEGO
CORPORATION



STEEGO

CORP.

N.Y.S.E. S

STEEGO CORPORATION is a balanced group of companies involved in a variety of commercial services. Primary sources of sales revenues are 55% non-durable goods and 45% durable goods. The core business is the core business, accounting for 50% of total volume.

[FISCAL 1982 SALES \$126.6 MILLION = 55%]

NON-DURABLE GOODS

[FISCAL 1982 SALES \$126.6 MILLION = 55%]

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REPLACEMENT PARTS

Automotive Replacement Parts.

STEEGO markets and warehouse distributes automotive replacement parts through captive warehouse distribution centers to the general after-market trade and its captive jobber stores.

Markets served:



United States:

STEEGO Auto Parts, Inc.

- New England
- Mid-Western (Ohio)
- South Eastern (Florida)



Canada:

McKerlie-Millen, Inc.

- Ontario
- Quebec

Agri-equipment Replacement Parts.

STEEGO markets, warehouse distributes and manufactures farm equipment replacement parts, including grass and crop-cutting mechanisms, tillage and planting tools, and other farm-related service parts.

Markets served:



United States:

Herschel Corporation

- National Distribution

PRINTING & ALLIED PRODUCTS

STEEGO designs, prints, and binds office related products, including special application commercial and hospital forms, indexes and filing supplies, custom loose-leaf ring binders, "one-write" accounting systems and other similar expendable office supplies.

Markets served:



United States:

Elbe Products, Inc.

- Mid-Atlantic
- Mid-Western
- New England
- South Eastern
- Puerto Rico

DURABLE GOODS

[FISCAL 1982 SALES \$100.6 MILLION = 45%]

TRANSPORTATION EQUIPMENT

Freight and Load Handling Equipment.

STEEGO engineers, manufactures, and markets various types of commercial wheel-type over-the-road vehicles including freight and cargo trailers, furniture trailers, special application trailers, and truck bodies. Also, heavy-duty truck and trailer replacement parts and accessories are marketed through company-owned service branches.

Markets served:



United States:

Nabors Trailers, Inc.

- South
- Southwest

Solid Waste Handling Equipment.

STEEGO engineers, manufactures and markets special truck mounted and stationary type solid-waste compacting and handling equipment.

Markets served:



Canada:

A.M.I. Steego Limited

- National Distribution

METAL WORKING MACHINERY

STEEGO markets and distributes industrial metal working machinery, including standard and special metal cutting and metal forming machinery and accessories, attachments, and other related industrial supplies.

Markets served:



United States:

United Technical Corporation

- Regional and National Distribution



Canada:

Upton Bradeen & James Limited (2)

- Ontario
- Quebec

STEEGO, through the "Unisig" joint venture, assembles and markets sophisticated turning and deep hole boring machines and related precision tooling.

Markets served:



United States:

Unisig Corporation

- National Distribution

(1) Revenues from Financial Services are not included. Earnings are reported on the equity method.

(2) On April 30, 1982, Steego entered into an agreement to sell, subject to certain conditions, the operating assets and business of Upton Bradeen & James Limited.



BOL "STG"

n marketing, warehouse distribution, engineering, manufacturing, and
ds, 43% durable goods, and 2% services. The replacement parts busi-
graphic sources of sales are: 61% United States and 39% Canada.

31.3 MILLION = 100%]

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FABRICATED METAL PRODUCTS

STEEGO, on a contract basis, engineers, fabricates, machines, and assembles large industrial process sub-components and related industrial structures and equipment. Heavy field construction installation and erection work is also undertaken.

Markets served:
 Canada:

A.M.I. Steego Limited

- National
- International

SERVICES ⁽¹⁾

[FISCAL 1982 SALES \$4.1 MILLION = 2%]

ENGINEERING SERVICES

STEEGO's consulting engineering service performs civil and process engineering assignments, including master planning, design and engineering, environmental impact studies, project management and procurement and construction supervision. Jobs are undertaken on an individual task or turn-key basis.

Markets served:
 United States:

King & Gavaris Consulting Engineers, Inc.

- National
- International

IMPORT-EXPORT SERVICES

STEEGO operates a comprehensive international import-export service for independent manufacturers and STEEGO's subsidiaries.

Markets served:

Steege Trading Corporation

- Europe
- Middle East
- South America
- Central America

FINANCIAL SERVICES

STEEGO operates a commercial lending and purchase-lease activity specializing in the financing of commercial equipment including freight-trailers, industrial machinery and equipment, and selected categories of office machinery.

Markets served:
 United States:

Bayou Acceptance Corporation

- Midwest
- South
- Southwest

OTHER BUSINESS ACTIVITIES

STEEGO acquired large tracts of unimproved land which are being resold as raw land or converted into residential and commercial building sites.

Markets served:
 United States:

Homestead Corporation

- Arizona

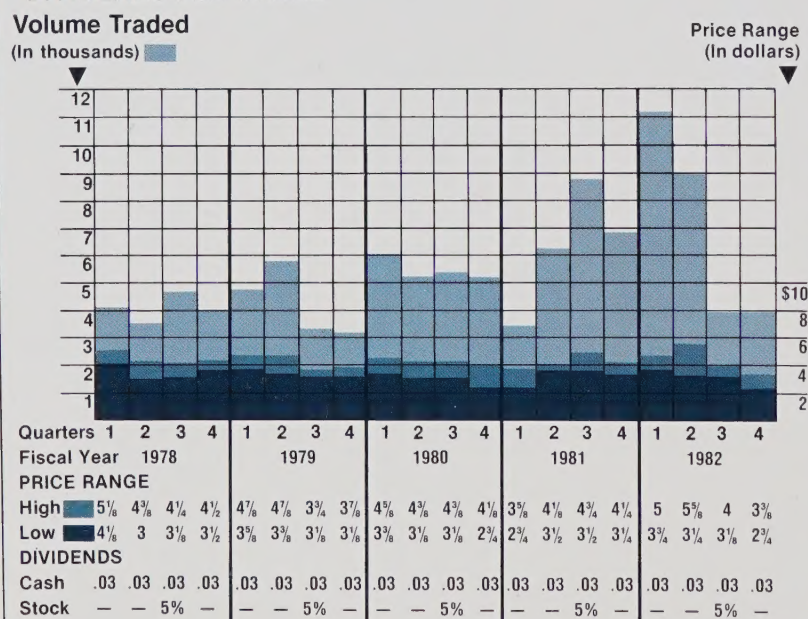


Financial Highlights

(In thousands except stock data)

		Fiscal Year Ended April 30,		
		1982	1981	1980
Operations	Net sales before translation	\$249,824	\$264,897	\$244,053
	Currency translation adjustments	(18,521)	(15,887)	(13,908)
	Net sales	\$231,303	\$249,010	\$230,145
	Income from continuing operations before translation	\$ 3,155	\$ 4,363	\$ 3,766
	Currency translation adjustments	(1,120)	(1,246)	(22)
	Income from continuing operations	\$ 2,035	\$ 3,117	\$ 3,744
	Net income before translation	\$ 3,155	\$ 4,690	\$ 4,700
	Currency translation adjustments	(1,120)	(1,246)	(22)
Financial Position	Net income	\$ 2,035	\$ 3,444	\$ 4,678
	Stockholders' equity	\$ 53,378	\$ 52,358	\$ 49,886
	Long-term debt	\$ 43,980	\$ 45,553	\$ 40,348
	Debt-to-equity ratio	82%	87%	81%
	Working capital	\$ 52,500	\$ 56,616	\$ 52,651
Stock Data	Current ratio	2.2	2.2	2.1
	Common shares outstanding, year end	7,537,308	7,121,023	6,775,256
	Net income per common share	\$.25	\$.43	\$.59
	Common stock dividends — cash	\$.12	\$.12	\$.12
	— stock	5%	5%	5%
Book value per common share		\$6.74	\$6.59	\$6.27

AVERAGE DAILY VOLUME TRADED COMMON STOCK PRICE RANGE DIVIDENDS PER SHARE



Steege Corporation Stock is traded on the New York, Midwest and Pacific Stock Exchanges.
Stock Listing Symbol "STG."

Chart 1

Contents

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- ◎ Corporate Headquarters
- △ Automotive Replacement Parts
- ▽ Agri-Equipment Replacement Parts
- * Metal Working Machinery
- Printing & Allied Products
- Fabricated Metal Products
- + Transportation Equipment
- Real Estate
- \$ Financial Services
- x Import-Export Services
- Engineering Services



TO THE STOCKHOLDERS:

The North American market offers great opportunity for revenue expansion, notwithstanding the constrained business environment presently prevailing. Later in fiscal 1983, the economy is expected to rebound, triggered in part by government defense spending and the consumers' pent-up demand for goods and services. The resurgence in U.S. productivity will, collaterally, benefit Canada, the U.S.'s trading partner.

Steege, during this challenging economic period, will avoid nearsighted cosmetic cures which could endanger the Company's future profitability. However, short-term projects to increase profitability, such as cost and expense cutting measures and selective price adjustments, are concurrently being implemented along with longer-term programs directed at positioning the Company to prosper as the resilient North American economy recovers in the latter part of fiscal 1983.

Steege's fiscal 1982 operating results declined, reflecting the prevailing economic recession. Specifically, Steege was affected by the cyclical decrease in demand for metal working machinery; revenue short fall attributable to three strikes; and currency translation adjustment reflecting a drop in the relative value of the Canadian dollar. Despite these factors, all of the Company's primary business segments increased sales, except the metal working machinery segment.

Fiscal 1982 sales amounted to \$231.3 million after an \$18.5 million currency translation adjustment. The adjusted sales figure was only 7% below record 1981 sales of \$249 million after a \$15.9 million translation adjustment.

Fiscal 1982 income, before taxes and currency translation adjustment, amounted to \$5.8 million compared to \$7.8 million reported the previous fiscal year. Unfortunately, for two years running, pre-tax earnings have been severely cut by currency translation adjustments of \$1.6 million. Fiscal 1982 income before taxes

from continuing operations, after translation adjustment, totaled \$4.2 million compared to \$6.2 million reported last year. Resulting fiscal 1982 net income slipped to \$2 million (\$.25 per share) compared to \$3.4 million (\$.43 per share), reflecting lower sales volume and the large currency translation adjustment.

Last fiscal year, Management, based upon surveys, expected the Canadian dollar exchange rate to stabilize and improve against the U.S. dollar. This prognosis did not materialize as illustrated on Chart 7, page 21. Monetary experts have restrained their predictions as to the Canadian dollar's near-term trading range and no consensus has emerged. Nonetheless, Management believes that Canada's underlying economic strength is supportive of a secular rise in the Canadian dollar exchange rate against the U.S. dollar. A favorable shift in the Canadian exchange rate should coincide with an improvement in the U.S. economy in late fiscal 1983. Assuming this scenario materializes, the negative effect of currency translation on consolidated revenues and profits would diminish.

Steege has avoided overconcentration of its sales revenues in any single field of commercial endeavor. Revenue sources are judiciously diversified in an effort to counterbalance demand variability among the various products and services offered and further to hedge against overexposure to the cyclical vicissitudes of the general economy. The Company's market diversification is balanced within product subdivisions, geographical areas, technical disciplines and production capabilities. The primary classifications of products sold by Steege are non-durable goods, durable goods and diversified services. As a result, Steege serves several unique markets and sales volume is responsive to different business cycles.

Non-durable goods accounted for \$126.6 million (55%), durable goods \$100.6 million (43%) and services \$4.1 million

(2%) of fiscal 1982 consolidated revenues. Geographically, revenues were \$141.5 million (61%) in the U.S. and \$89.8 million (39%) in Canada. The chart on the inside front cover summarizes Steege's primary commercial activities, marketing structure and geographic sources of revenues.

The non-durable goods segment consists of the automotive replacement parts, agri-equipment replacement parts, and printing and allied products businesses. This group's sales increased to \$126.6 million in fiscal 1982, \$5.2 million greater than reported last year. Operating income reached \$6.3 million, slightly ahead of the \$6.2 million reported last year.

The combined sales increase of the non-durable goods segment was below budget, primarily as a result of lower sales reported by both the agri-equipment replacement parts division (which was adversely affected by a 17 week strike early in fiscal 1982) and by the Quebec, Canada auto replacement parts division (also affected by a strike late in the year). Unquestionably, the effects from the North American recession also restrained the degree of sales gain accomplished. The non-durable goods segment's combined operating profit did not increase commensurate with increased sales, primarily reflecting the lower profit reported by the Quebec, Canada automotive replacement parts division and the marginal profit performance of the U.S. automotive parts operation. Correction of these situations should produce a major impact upon the Company's consolidated profitability.

The replacement parts operations' sales were constrained by the economy but, nevertheless, increased 4% over fiscal 1981 to \$115.9 million. However, operating income was held in check by underperformance of certain profit centers and increased only \$200,000 reaching \$5.5 million in fiscal 1982.

Combined U.S. and Canadian automotive replacement parts sales in fiscal 1982, in-



Sluggish product demand is expected during the early months of the fiscal year; nevertheless, greater market penetration, as well as the introduction of new products, should produce higher sales and profits in fiscal 1983.

In summary, the non-durable goods segment is expected to increase sales volume and profits even though the generally slow economic climate may prove restrictive until late in fiscal 1983.

The durable goods segment includes the activities of the transportation equipment, metal working machinery and fabricated metal products businesses. Combined sales of this segment were \$100.6 million, 19% lower than last year. Operating income was satisfactory at \$4 million; however, the result was 30% below the \$5.6 million recorded last year. The lower sales volume decreased the gross margin contribution generated which, in these fixed overhead businesses, negatively affected the bottom line. The demand for capital goods continues to slacken, seriously reducing backlog and, in addition, shipments have slowed.

Sales of the Canadian domiciled fabricated metal products division amounted to \$6.7 million compared to \$6.6 million reported last year. Considering the moribund Canadian capital goods market and a brief strike, this sales performance was commendable. Despite the increase in sales, the division experienced an operating loss, principally due to increased costs and fierce competitive bidding. Management believes worldwide investor confidence in the Canadian economy will, in the near term, be restored and will stimulate capital investment. The division's backlog of unfilled orders is slightly higher than at this time last year; however, price competition remains sharp and prospects for additional booking of major jobs remains unpredictable.

The transportation equipment sector recorded sales of \$22.9 million in fiscal 1982 compared to \$22.7 million in the previous year. The slightly higher sales

volume, however, failed to generate standard gross margin contribution; consequently, operating profit slipped 35% below the profit recorded last fiscal year. Trucking competition, precipitated by deregulation, is forcing outmoded trailer units off the road and into the junk yard. Though a penalizing "lag-time" is expected before demand is favorably affected, Management believes that the decline in unit demand has now hit bottom and the recovery in economic activity will push motor carrier tonnage upward with the attendant need for new, modern equipment. Nonetheless, transportation equipment backlog slipped 56% from last year, and the recent rate of bookings is a trickle. This task of maintaining an acceptable unit operating level through the early part of the fiscal year will be a marketing challenge. Nevertheless, the Company, without hesitation, is aggressively implementing growth projects to exploit the upsurge in unit demand expected to take place in late fiscal 1983.

The metal working machinery sector, which markets both in the U.S. and Canada, reported mixed operating results. In fiscal 1982, combined sales slipped to \$71 million, 26% under last year's \$95.5 million. The U.S. sales portion was \$53.2 million, down 31% from last year's \$76.5 million; whereas, Canadian sales were only down 6% to \$17.8 million compared to last year's \$19 million. Due to differences in the sales mix, the Canadian division moderately increased operating profit; while the U.S. division's operating profit shrank by approximately \$900,000. The Company has agreed to sell its Canadian division as more fully discussed on page 13.

The metal working machinery market is characteristically cyclical and backlog is substantially lower than last year. However, revolutionary advances in production machinery as well as the high percentage of obsolete U.S. plants, the low rate of growth in U.S. productivity, the presently low percentage of U.S. capital investment and the pressures of competi-

tion, should result in increased demand. Growth should also be encouraged by tax incentives through accelerated depreciation under the Economic Recovery Tax Act of 1981.

In summary, the fortunes of the durable goods segment reflect the capital goods cycle. As demand turns favorable, a rebound of the durable goods segment should follow. In the meantime, the substantial volume of replacement parts and service sales should sustain an acceptable bottom line. Accordingly, this group's profit, in the early months of fiscal 1983, will probably be marginal, improving to a more profitable level late in fiscal 1983.

The diversified services segment includes consulting engineering services, import-export services, financial services and limited real estate activities. The consulting engineering division in fiscal 1982 increased billings by 9% over the previous fiscal year, even though the demand in the consulting engineering market suffered from a strong decline in engineering activity. The division, at the close of the fiscal year, had a solid backlog of engineering hours, equivalent to one year's work at present staff levels, which should support a profitable year.

In anticipation of a major cutback by Federal, state and municipal agencies of expenditures for programs involving high engineering content, Management implemented a marketing plan to diversify the division's sources of business. Accordingly, marketing efforts were directed to business in the private U.S. sector and international markets. Several private clients were added during the year and overseas billings have increased.

The import-export services division reported sales of \$2.2 million in fiscal 1982, more than double last fiscal year's volume; nevertheless, only a modest profit was recorded. The near-term outlook for import-export trade is clouded. The division's backlog is depleted, although the value of outstanding quotations is large. The business uncertainty,

engendered in the political and economic instability overhanging the world markets, renders projections respecting this division highly speculative.

The financial services division consists of the Company's 90.5% equity interest in Milwaukee Western Corporation ("MWC"). Steego's equity in net income of its unconsolidated financial subsidiary increased to \$1.2 million in fiscal 1982 from \$895,000 last fiscal year. This increase resulted from higher investment income and record earnings by MWC's commercial finance company. The depressed economy should restrain MWC's growth in fiscal 1983. Nevertheless, MWC's strong financial position should permit a modest profit increase.

FINANCIAL POSITION

The foundation of the Company's capital budgeting system is a central, computer based, cash management system which permits orderly application of funds generated to interim interest-earning investments or repayment of short-term debt. Sound financial planning is designed to optimize liquidity as evidenced by a current ratio of 2.2:1.

Steego, without forsaking "liquidity", allocates its working capital to a pool of assets possessing inflation-hedge characteristics. Sixty-four percent of total assets are made up of cash, accounts receivable and inventories. Inventories possess near-cash characteristics as most products included are non-styled, high turn-over items.

Management, for long-range planning purposes, assumes the inflation trend will be intractable. Therefore, measures are being continuously implemented to avoid a severe credit squeeze and the penalty of volatile interest rate swings.

PERSONNEL

Management unrelentingly implements programs to improve the productivity of the Company's 2,600 employees. The pri-

mary objectives of Steego's personnel policy are to maintain an optimum cost-competitive posture within the product pricing scale in markets served to ensure the existence of a fair and equitable employment environment, to build career opportunities for competent and dedicated employees and, collaterally, to attract growth capital by improving the return on investment to those investors providing capital.

This personnel policy is not administered in a passive manner for Steego must maintain a competitive posture in the market place and cannot surrender control over any primary cost factor. As a result, strikes can occasionally take place and, during fiscal 1982, three disruptive strikes did occur: the Canadian based fabricated metal products division was hit by a brief three week strike in the late summer of 1981, which was settled with the signing of a two year union contract; the agri-equipment replacement parts division experienced a 17 week strike, which resulted in the signing of a three year union contract; and the Quebec City automotive replacement parts operation was struck during the last week of the fiscal year, which was settled three weeks subsequent to year end with a union contract extending through October 1983.

Though Management's competition-driven stance is that wage demands must stem from a proportionate increase in employee productivity, labor relations appear to be stable and major disruptions are not expected during this fiscal year.

DIVIDEND

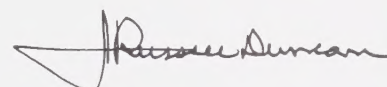
On June 18, 1982, the Steego Board of Directors declared the Company's 23rd regular quarterly dividend in the amount of \$.03 per share (\$.12 annual), payable July 19, 1982, to common stockholders of record July 1, 1982. During the 1982 fiscal year, a special 5% stock dividend was also paid.

OUTLOOK

The pervasive economic recession adversely impacted all business segments in fiscal 1982 and continues to adversely affect Steego's operations. Thus, specific programs have been, and continue to be, implemented to improve profitability in the near term and position the Company for significant growth in the future.

Management anticipates that segment operating results will follow a mixed pattern and, in some cases, will be marginal during the early months of fiscal 1983. Collectively, sales and profits should, in the latter part of the fiscal year, improve coincident with the expected economic recovery.

Management expects the enterprise and determination of the organization will transcend much of the negative side effects from this slow period and expects operating results to progressively improve throughout fiscal 1983.



J. Russell Duncan
Chairman of the Board and
Chief Executive Officer



Matthew E. Carroll
President





The printing and allied products operation includes the production and marketing of office related items such as special application, expendable office and hospital forms, custom loose-leaf ring binders, and other specialty office supplies. The ever expanding volume of business record keeping and mass of paper work enhances demand for these expendable products.

(upper right & lower left)
Steego Parts warehouses, carrying over 60,000 different parts, are suitably located to ensure fast, dependable service.



much more significant) strike at the agri-equipment replacement parts manufacturing facility. As a result, the Canadian automotive replacement parts division's sales increased a modest 1.6% after foreign currency translation adjustment and agri-equipment replacement parts sales declined 10.6%.

The Replacement Parts Segment's operating income after currency translation adjustments rose to \$5.5 million from the \$5.3 million reported in fiscal 1981.

The automotive replacement parts divisions, located in both the U.S. and Canada, contributed \$4.6 million to Steego's consolidated operating income in fiscal 1982, compared to \$3.4 million the previous year, an increase of 35.3%. The increase was contributed almost equally by both divisions, with the U.S. automotive replacement parts division reporting an operating profit of \$429,000 in fiscal 1982 compared to a loss of \$55,000 last year. The Canadian automotive replacement parts division, in turn, reported operating income after currency translation of \$4.1 million, a 19% increase over the \$3.5 million reported the previous year.

The recession in North America continues to have an effect on the U.S. and Canadian automotive replacement parts divisions, and a general softening of demand has resulted. Nevertheless, Management believes that these divisions will operate at satisfactory levels due to the aging population of vehicles, presently 6.7 years

in the U.S. as compared to 5.5 years in the 1970's, caused by lower demand for new, high cost (both sticker price and financing expense) cars. The Canadian average vehicle age is expected to parallel that of the U.S. The increasing vehicle age will result in a growing demand for replacement parts needed to maintain vehicles in satisfactory operating condition.

Steego continues to improve its position in the automotive replacement parts market. Currently, the marketing and distribution network in the U.S. and Canada includes 17 wholesale warehouses, 129 company owned and operated jobber stores, 53 automotive repair shops, 12 automotive paint and body-shop supply stores, and 99 associate stores. Steego intends to continue to expand its marketing and distribution system, in part, through the opening and acquisition of additional stores, but primarily through the recruitment of additional independent associate jobber stores. Expansion of the independent

associate jobber store network permits the Company to increase sales without any significant capital outlay. This volume increase absorbs part of existing distribution overhead and, therefore, contributes handsomely to profits.

The Company is continuing to build uniform identifications for its replacement parts business, through the use and substantial promotion of uniform trade names and styles: "Steego" in the U.S. and "McKerlie-Millen" in Canada. Merchandising strategy incorporates uniform graphics, product displays and inventory mix. This technique is designed to cater to, and fully exploit, customer needs.

Management continues its emphasis upon increased profitability through increased productivity, strict cost controls and reductions in average inventory levels. The favorable effect of these efforts is evidenced by the increase in operating income in 1982 without any significant increase in sales.



Herschel manufactures and distributes to the farm industry various agri-equipment replacement parts including cutting blades (insert) for grain combines.

With today's high interest rates, prompt collection of accounts receivable and reduction of inventory levels free capital for the repayment of floating rate debt and/or investment in interest-earning assets. These objectives have been aided by the installation of computer systems in the parts warehouse locations, and will be further aided by the introduction of a computerized system in jobber stores. This system will result in additional reductions in inventory levels and increased profitability.

As previously mentioned, agri-equipment replacement parts sales decreased 10.6% in 1982 to \$11 million. The previous year's sales were \$12.3 million. This division's operating income fell sharply from \$1.8 million in fiscal 1981, to \$900,000 this year.

The reduction in sales and the sharp drop in operating profits was largely attributable to a 17 week strike during the peak selling season. The strike has been settled with the execution of a favorable three year contract.

Herschel is continuing its efforts to increase the number and volume of internally manufactured and assembled products, thereby improving factory overhead absorption. At this time, internally manufactured products account for approximately 60% of total sales.

This division's outlook for fiscal 1983 is promising. Herschel's recently introduced cutter bar conversion kit for grain combines, the "Tiger Jaw", is enjoying strong customer acceptance. Sales of agri-equipment replacement parts to aftermarket dealers remains strong, reflecting increased market penetration. Thus, a strong sales recovery and higher profits are anticipated in fiscal 1983.



Workmanship of consistent quality has helped make Elbe one of the largest custom-decorated binder manufacturers in the nation.



Printing and Allied Products

The printing and allied products division increased sales to \$10.7 million in fiscal 1982, approximately 5% more than last year's sales of \$10.2 million. However, reduced customer demand resulted in fierce price competition which, in turn, resulted in a sharp drop in operating income to \$815,000, 19% lower than the operating income of \$1,009,000 in fiscal 1981.

This division has an experienced sales organization complemented by a well-trained and innovative manufacturing staff with access to modern

equipment utilizing the latest technological advancements and material handling concepts. Thus, new, competitively priced products can be conceived and effectively marketed, thereby permitting this division to improve its market penetration.

Management expects that demand will remain flat in fiscal 1983. However, the cumulative effects of an increasing population and number of business transactions recorded assures a market need for printing and allied products. Management believes this division is well-positioned to take advantage of opportunities presented when the economy recovers.





DURABLE GOODS

Transportation Equipment

The transportation equipment operations include the designing, manufacturing and marketing of a variety of configurations of commercial wheel-type, over-the-road trailers and truck bodies. Company owned branches service trailers and sell truck and trailer replacement parts and accessories. The primary market served is the Mid-South region of the U.S. Also, specialized solid waste handling equipment is marketed in Canada.

Metal Working Machinery

The metal working machinery operations include the assembling, marketing and distribution of standard and special metal cutting and metal working machinery along with accessory attachments and other related industrial supplies. Machinery sold is sourced domestically and foreign. The North American market demand for metal working machinery is growing in response to the need to update and expand industrial capacity, and raise productivity.

Fabricated Metal Products

The fabricated metal products operation (Canada) performs, on a contract basis, engineering, fabricating and assembling of large industrial process sub-components and related equipment and structures. National emphasis upon developing energy sources, controlling the environment, and normal modernization of industrial capacity have impact upon demand for these products and activities.

DURABLE GOODS

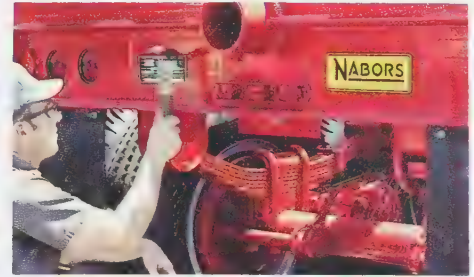
The Durable Goods Segment's fiscal 1982 sales decreased to \$100.6 million, from \$124.8 million reported the prior year. Operating income of \$4 million in fiscal 1982 was down \$1.6 million from last year's operating income of \$5.6 million.



Transportation Equipment

Nabors Trailers, the U.S. transportation equipment division, reported increased revenues for the sixth straight year despite a substantial, industry wide decline in sales. Fiscal 1982 revenues rose to \$19.4 million, a 3% increase over the previous year's sales of \$18.9 million. The fact that sales modestly increased is quite commendable in the context of the depressed state of over-the-road vehicle manufacturing industry.

The division's management anticipated not only a sharp drop in demand for over-the-road trailers due to the de-regulation of the trucking industry and the deepening U.S. recession but also fierce price competition for the sales opportunities presented. Consequently, management acted quickly by shifting its efforts towards selling special application trailers, i.e., heavy-duty, lowboy trailers for oil field use and for handling heavy equipment and trailer units used for special oil field service applications. This strategy enabled Nabors to fill the gap left by declining over-the-road trailer sales. However, the recent decline in demand by the oil industry and increased competition from other trailer manufacturers, caused trailer margins to decrease significantly. Therefore, operating income slipped to \$1.4 million from the previous year's record high of \$2.2 million. The oil field trailer market is currently



Aluminum freight trailers manufactured by Nabors Trailers in Mansfield, Louisiana are distributed throughout the Mid-South region of the U.S.

saturated and the division does not expect to make significant sales in this specialized market. Thus, other previously unexplored, special application trailer markets are being evaluated.

DURABLE GOODS

	Sales (In millions)			Operating Income (In millions)		
	1980	1981	1982	1980	1981	1982
\$130		\$124.8			\$5.6	\$6.0
		95.5		\$5.4	3.0	5.5
120				3.4		5.0
110	\$108.2					4.5
	81.4		\$100.6			4.0
100			71.0			3.5
90					\$3.9	3.0
					2.4	2.5
80						2.0
70						1.5
60					2.4	1.0
50				1.5		.5
40						.2
						(.1)
30	19.6	22.7	22.9			
20				.5		
10	7.2	6.6	6.7			

Legend:
Metal Working Machinery
Transportation Equipment
Fabricated Metal Products
Refer to "Activities and Principal Markets" chart on inside front cover

Chart 5



Nabors' production facilities incorporate maximum manufacturing flexibility, permitting quick response to shifting market demand and changing product mix.

Increased competition in the trucking industry has caused a reduction in that industry's margins and, in an effort to maximize their profits, new purchases have been deferred with an attendant increase in the average age of trailers on the road. As a result, Nabors' sales of conventional trailers have decreased but sales generated from replacement parts and service have increased and now account for approximately 17% of total revenues. Revenues from parts and service should continue to increase during fiscal 1983.

The highway system will remain the primary artery for transporting goods throughout the U.S. and Canada. Thus, an increase in the demand for over-the-road trailers should occur with the expected economic upswing late in fiscal 1983.

Revenues of the solid waste handling equipment division domiciled in Canada decreased approximately 7% from the previous year. Although backlog, as well as sales proposals, have decreased, renewed growth should occur when the economy recovers. With the increase in the cubic volume of solid waste being generated within all communities, the need for specialized stationary and truck mounted equipment used for the collection, storage, transfer and interim processing of that waste should likewise increase. Thus, the short-term outlook for this business is not encouraging, but the future looks promising.

During the past year, export orders for solid waste handling units increased and management expects a further increase in export sales in fiscal 1983.

Improvements made in the manufacturing facilities have resulted in improved efficiency and cost savings. As the economy emerges from its

current depressed state, this division will benefit significantly from the investment made in the manufacturing facilities.



Metal Working Machinery

Metal working machinery sales dropped sharply to \$71 million in fiscal 1982, approximately 26% below the previous year's record high sales of \$95.5 million. A slight improvement in margins, however, mitigated the decrease in operating income for the year. Operating income was \$2.4 million, down 20% from the \$3 million achieved the previous year.

The Metal Working Machinery Segment, a historically large contributor to Steego's revenues and operating income, accounted for 31% of consolidated sales and 34% of consolidated operating income in fiscal 1982. This compares to the previous year's contribution to sales and operating income of 38% and 32%, respectively.

The downturn of demand in this segment was not unexpected. Management took a number of important steps during the year in order to minimize the negative effects of a sales decline. Special sales programs, built around in-house shows and demonstrations, to supplement sales efforts were implemented. The technical and machinery demonstrations concentrated on industries having the greatest potential for immediate sales. These efforts produced numerous quotations and resulted in additional orders and, as a result, sales were consistently better than the published industry averages. In



Nabors' lowboy trailers are built for the "special application" trailer market.

addition, the intensified sales efforts places the division in a good position to capture a larger share of the market when increased demand for capital goods returns.

The U.S. divisions, United Technical Corporation (UNITEC) and Unisig Corporation (UNISIG), accounted for 75% of this segment's sales, with the balance of sales coming from the Canadian based division, Upton, Bradeen & James, Limited (UBJ).

On April 30, 1982, the Company entered into an agreement with Oerlikon-Motch, Inc. to sell the machine tool distribution business conducted by UBJ. Oerlikon-Motch, Inc., together with its affiliates, is a major supplier of products to UBJ and, as a result of their decision to directly distribute products in Canada, the acquisition by Oerlikon-Motch, Inc., and the disposition by the Company, of UBJ was natural. The purchase price approximates 125% of UBJ's book value, a large portion of which is payable on, or shortly after

closing. The funds generated will eventually be used to finance the expansion of the Company's businesses, either internally or through acquisitions. In the interim, the Company's liquidity will substantially increase. Consummation of the transaction is subject to approval of various governmental agencies and other customary closing conditions. Since various of these conditions require governmental and other third party approvals and consents, no assurances can be given that the proposed sale will be consummated.

Commencing in late fiscal 1981, the rate of machinery shipments exceeded the rate of new machinery orders. Accordingly, a decline in the backlog of orders occurred and presently continues. The current backlog is substantially below last year's level, however, there are still sufficient open orders to assure this segment's profitability in fiscal 1983.

Currently, about 15% of this segment's sales are repeat orders for



perishable tools and supplies.

Metal working machinery demand is expected to remain sluggish until the latter part of fiscal 1983. Management believes that the current emphasis being placed by industry upon increased productivity and improved quality, will result in the replacement of a great deal of technologically outdated machinery currently in use. Increased demand, therefore, should occur when the economy improves and consumer demand causes higher factory utilization. Tax incentives for capital investments should also have a favorable impact.

Modern multi-axis, high speed, computer oriented production machinery is now available, and their use will become an economic necessity with an upswing in the economy. This segment's well-organized, experienced and thoroughly knowledgeable sales force will assure Steego a strong marketing position in the metal working machinery industry.

(upper right) Marshall & Huschart engineers provide experienced training and support in the use of numerical computer controls for machine tools.

(lower left) Factory technician setting up turret punching machine for demonstration at the UNITEC center in Broadview, Illinois.







Fabricated Metal Products

The Canadian based fabricated metal products division is headquartered in Canada, and reported sales of \$6.7 million after currency translation adjustment in fiscal 1982. This represents a slight increase over the previous year's sales of \$6.6 million. The fact that sales increased at all is highly commendable considering the depressed state of the Canadian economy and the effects of a brief strike.

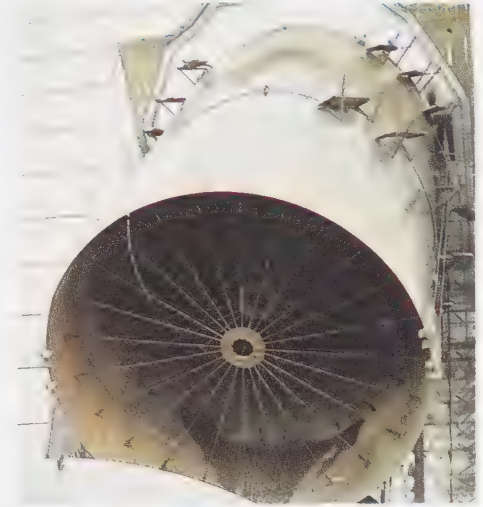
The declining demand for fabricated metal products in general, and the resulting increased competition for sales has greatly reduced profit margins. The reduction in margins and the additional unabsorbed overhead during the previously mentioned strike, caused this division to incur a small operating loss of \$27,000 during fiscal 1982, compared to an operating profit of \$250,000 in the previous year.

Engineered and fabricated products produced and sold by this division have a wide range of applications in industrial areas such as power generation, materials handling, food processing, petroleum, mining and basic metals.

Manufacturing activities involve the design, fabrication and final assembly of specialty metal products made to customer specifications.

The production process often involves the manufacture of transportable sub-assemblies in the division's newly expanded metal fabricating plant, and the transportation of these sub-assemblies to the customer's job site where assembly is completed. This means of manufacturing provides for a high quality job with a minimum amount of weather related delays.

Management continues to maintain tight control over indirect costs and is exploring manufacturing methods which will further improve operating efficiency. Both of these actions will



improve the division's competitive position and increase profitability.

Changes are taking place in this division's marketing strategy to increase market share and a vigorous program designed to broaden the line of proprietary engineered products and to increase in-plant fabricated content in the sales mix continues. The additional proprietary product volume will absorb a greater proportion of factory overhead and permit greater utilization of plant capacity.

Demand for fabricated metal products is expected to remain depressed until the latter part of fiscal 1983, at which time capital spending by the Canadian heavy industries is expected to rebound.



(facing page) Water intake structure assembled off-shore by A.M.I. Steego measures 110' diameter and 40' high. The structure is to be placed 80' below Lake Huron for use at a nuclear electric power generating station.

(upper right & lower left) A.M.I. Steego fabricated these two 29' diameter penstocks primarily of 1" thick plate steel. Site assembly requiring 100% x-ray inspections on all welds, demanded the highest quality workmanship.



SERVICES

Engineering Services

The consulting engineering services organization performs civil and process engineering assignments including master planning, design and engineering, environmental impact studies, project management and procurement and construction supervision.

Import-Export

STEEGO provides comprehensive import-export services for independent manufacturers and STEEGO's subsidiaries.

Financial Services

The financial services operations are conducted by STEEGO's 90.5% owned Milwaukee Western Corporation functioning primarily through 100% owned Bayou Acceptance Corporation ("Bayou"). Bayou offers to the trade in the Mid-South market area, commercial financing and lease financing relating to selective categories of commercial equipment such as freight and heavy-haul trailers, industrial machinery and certain categories of office equipment.

Real Estate

Large tracts of raw land were acquired for future resale as unimproved land or as improved residential or commercial building sites. The Company also is lessor of agricultural land.

SERVICES

The Services Segment includes services offered in the areas of consulting engineering, import-export, financial lending, as well as in various real estate activities.



Engineering Services

The consulting engineering services division increased professional fee billings in fiscal 1982 by 9.2% over the previous year while income from operations was up 18.2% from last year. These increases were accomplished in spite of the downturned economy.

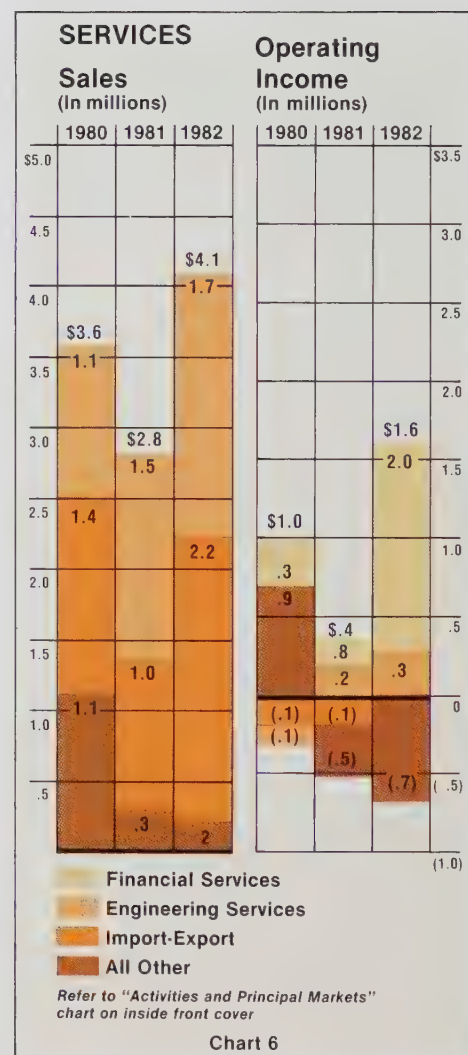
As a result of budget cuts and reduced revenue allocations, the demand for engineering services by Federal, state, local and municipal governmental agencies has decreased. In order to replace this business, management of the consulting engineering division has implemented marketing plans to attract private U.S. and international clientele, primarily in the area of developing nations. In order to position itself for obtaining new clients in those areas, the spectrum of engineering services offered has been increased to include agricultural, irrigation, infrastructure and transportation disciplines.

The increased marketing efforts put forth have resulted in obtaining several new private sector clients within the United States and international billings have increased. The backlog for engineering services remains at about the same level as last year, with approximately one year's billings at the current staff levels.

Management is positioning this division for future growth by intensifying marketing efforts and by assembling a superior roster of engineering



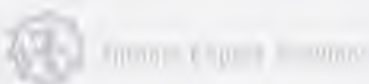
King & Gavaris Consulting Engineers, Inc. aided in the design of Interstate Route 87, which won acclaim for its protection of existing terrain and environmental conditions.



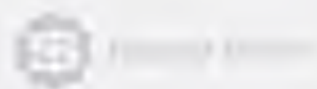


Steego Trading Corporation distributes U.S. manufactured products to many foreign countries.

specialists. Consequently, engineering services are expected to contribute at an increasing rate to Steego's revenues in the 80's.



The import-export division's sales significantly increased in fiscal 1982, to a record high \$2.2 million. This was an improvement of 128% over last year's sales of \$968,000. The division also posted a small profit from operations as compared to operating losses in recent years.



The financial services division is comprised of 90.5% owned Milwaukee Western Corporation (MWC) and its wholly-owned commercial finance subsidiary, Bayou Acceptance Corporation (Bayou). The Company's equity in net income of its consolidated finance subsidiary increased to \$1.2 million in fiscal 1982 from \$895,000 the previous year. The commercial finance subsidiary's earn-

ings reached \$1,322,000 in fiscal 1982, an increase of approximately 111% over earnings from continuing operations of \$626,000 in fiscal 1981. The primary sources of the increases were the greater amount of investment income generated by MWC and record earnings of Bayou.

MWC's increased investment in interest earning assets is a result of the sale of its 68.6% stock interest in Milwaukee Western Bank on December 31, 1980 for cash and notes.

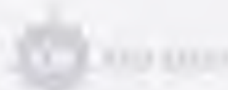
Bayou reported record earnings of \$551,000 in fiscal 1982, an increase of 70% over the \$325,000 reported the previous year. Bayou has increased its net interest income each year for the past ten years, and the rate of increase has accelerated greatly since 1978. In 1978, finance receivables aggregated \$3,982,000 and by the end of fiscal 1982 finance receivables reached \$11,206,000, a 30% compound annual growth rate. Coupled with the increase in outstanding receivables, Bayou also increased the net yield on finance receivables from 11% in fiscal 1981 to 15% in 1982.

Bayou hedges against the impact of inflationary expectations and perceived rise in interest rates by avoiding long-term loans. In this manner, the interest sensitive risk is reduced. To further reduce interest risk, variable rate loans are being considered.

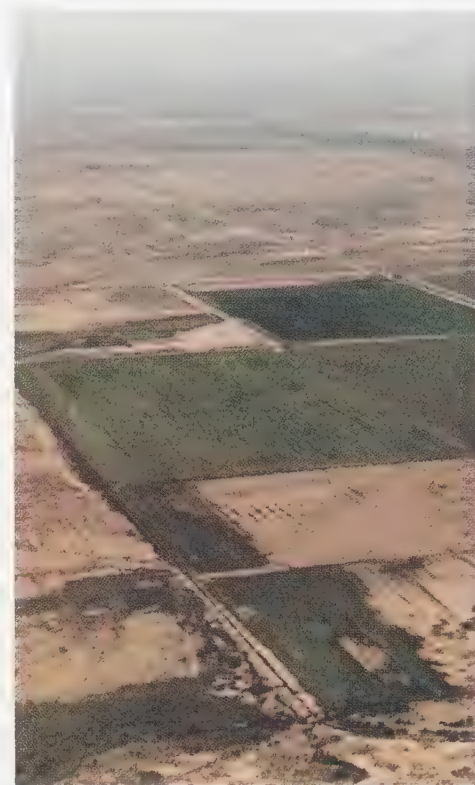
Non-interest related operating expenses are tightly controlled as a means of increasing profitability. Although the consolidated operating expenses for MWC and Bayou increased in 1982 in terms of total

dollars, the percentage relationship of these expenses to net interest income decreased from 17% in fiscal 1981 to 11% in fiscal 1982.

The profitable performance of this division builds a strong financial base for growth. A debt to equity ratio of .2 to 1 accommodates financial flexibility and provides access to substantial external borrowings to supplement internally generated funds to greatly expand as credit demand increases.



Real Estate activities primarily involve the liquidation of long-term investments, principally large acreage located in Arizona and homesite acreage located in Michigan. The Company, however, intends to continue to operate, through lessees, the agricultural and grazing acreage of Greater Arizona Ranches.



Aerial photograph of Greater Arizona Ranches, situated 60 miles northwest of Tucson, Arizona.



CORPORATE DIRECTORY

BOARD OF DIRECTORS

J. Russell Duncan

*Chairman of the Board and Treasurer,
Steego Corporation*

Matthew E. Carroll

President, Steego Corporation

Dean H. Anderson

*President, MWD Division of
NL Industries, Inc.*

Paul G. Desmarais

Chairman, Power Corp. of Canada, Ltd.

Frank H. Habicht

Vice President, Steego Corporation

Rufus W. Hanson

*Retired Vice President, First National
Bank of Minneapolis, Minnesota*

Edgar D. Mitchell, Sc.D.

Self-employed Consultant; Former Astronaut

John H. Schuler

*Executive Vice President,
Steego Corporation*

Howard M. Thurman

*Senior Vice President and Executive
Trust Officer, Texas American Bank*



J. Russell Duncan



Matthew E. Carroll



Dean H. Anderson



Frank H. Habicht



Rufus W. Hanson



Edgar D. Mitchell, Sc.D.



John H. Schuler



Howard M. Thurman

Paul G. Desmarais
(Photo Not Available)

BOARD COMMITTEES

Executive:

J. Russell Duncan, Chairman

Matthew E. Carroll

Howard M. Thurman

Compensation and Option:

Howard M. Thurman, Chairman

Dean H. Anderson

Rufus W. Hanson

Audit:

Howard M. Thurman, Chairman

Dean H. Anderson

Edgar D. Mitchell, Sc.D.

CORPORATE OFFICERS



William W. Curtas
Secretary and Controller



Robert A. Lawton
Vice President
Steege Corporation
President
Steege Parts Corporation



Arthur E. Smith
Vice President



Gregory L. Stone
Vice President
Steege Corporation
President
McKerlie-Millen, Inc.

SUBSIDIARY EXECUTIVES



William H. Allen
Executive Vice President
King & Gavaris
Consulting Engineers, Inc.



Thomas A. Breckles
President
Upton Bradeen & James Ltd.



John J. Fenton
President
A.M.I. Steege Limited



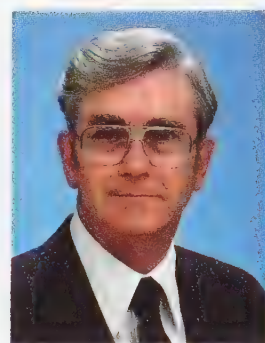
Werner G. Goering
President
Greater Arizona Ranches, Inc.



Daniel P. Huber
General Manager
UNISIG Corporation



James R. Kidd
President
Bayou Acceptance Corporation



Green Rives, Jr.
President
Nabors Trailers, Inc.



Robert Schoeffler
General Manager
United Technical Corporation



Walter Veith
President
Steege Trading Corporation



James A. Vose
President
Herschel Corporation



Ralph L. Weaver
President
Elbe Products, Inc.



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REPORT OF ARTHUR YOUNG & COMPANY CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders
Steege Corporation

We have examined the accompanying consolidated balance sheets of Steego Corporation at April 30, 1982 and 1981, and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended April 30, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Steego Corporation at April 30, 1982 and 1981, and the consolidated results of operations and changes in financial position for each of the three years in the period ended April 30, 1982, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

Miami, Florida
June 14, 1982

FINANCIAL REVIEW

Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries, except Milwaukee Western Corporation (a 90.5% owned financial subsidiary) and its subsidiaries. The investment in unconsolidated subsidiaries is carried at cost plus equity in accumulated earnings since formation. Intercompany transactions have been eliminated in consolidation.

The cost of investments in consolidated subsidiaries over net assets acquired subsequent to October 31, 1970 (approximately \$1,055,000 at April 30, 1982) is being amortized over 40 years on a straight-line basis. The excess cost prior to that date is not being amortized since, in the opinion of management, the underlying values have not diminished.

Currency Translation

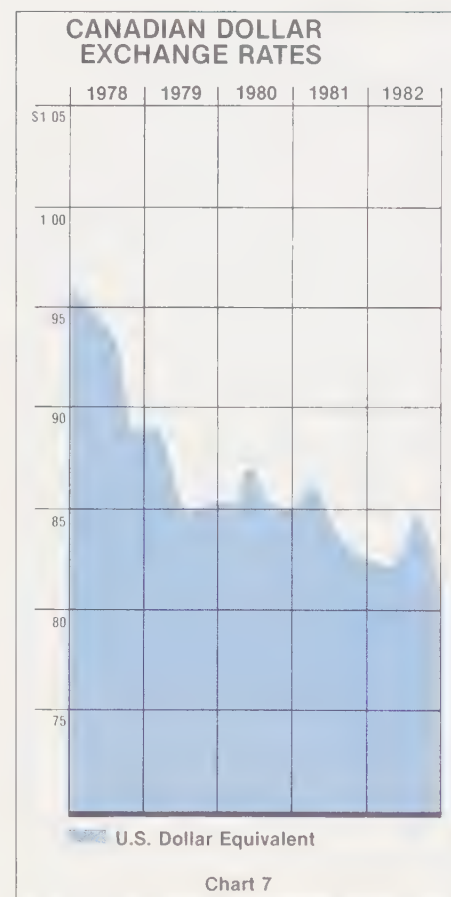
The Company has translated the financial statements of the Canadian operations under the provisions of the Financial Accounting Standards Board Statement No.8 (FAS 8) which requires that balance sheet accounts representing cash and amounts owed to or by the Canadian companies be translated at exchange rates prevailing at the end of the period. Balance sheet accounts representing non-monetary assets, principally inventories and fixed assets, are translated at historical exchange rates. Income statement items, other than the effect of translating inventories and depreciation at historical rates, are translated at average exchange rates prevailing during the year. Gains and losses that result from the translation of Canadian currency are included in income in the periods in which they arise.

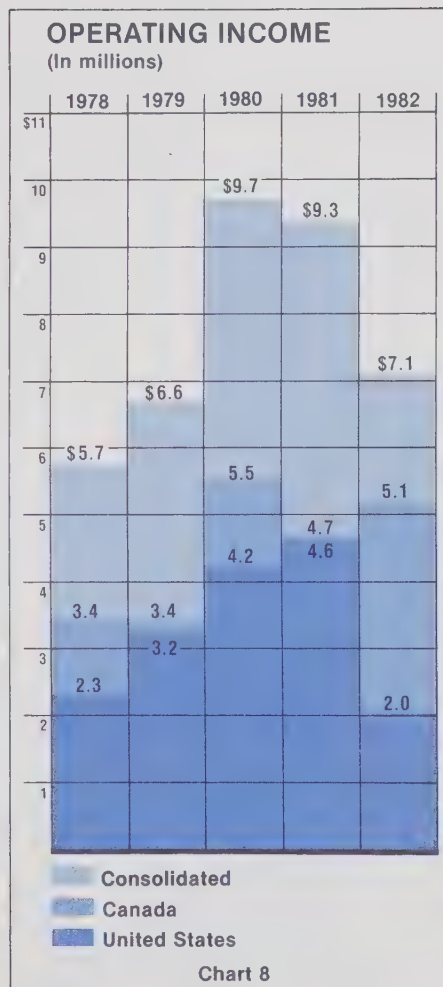
Net income of Canadian subsidiaries has been reduced by \$1,120,000 (1982), \$1,246,000 (1981) and \$22,000 (1980) as a result of translation into U.S. currency. Unrealized translation gains (losses) included in these amounts were \$78,000 (1982), (\$277,000) (1981) and \$550,000 (1980).

Canadian Operations

Summary financial information for Canadian subsidiaries, translated in accordance with FAS 8, is included in the consolidated financial statements as follows:

	(In thousands)		
	1982	1981	1980
For the year			
Net sales	\$89,847	\$90,232	\$82,489
Net income	1,969	1,576	2,745
At year end			
Identifiable assets	\$45,531	\$44,850	\$41,008
Total liabilities	18,087	19,670	16,465





Depreciation

Depreciation and amortization are provided over the estimated useful asset lives, principally on the straight-line method. Maintenance and repairs of property, plant and equipment are charged to operations. Renewals and betterments are capitalized. When properties are retired or otherwise disposed of, the asset and related accumulated depreciation thereon are removed from the accounts and the resulting gain or loss is charged or credited to income.

Original Issue Discount

The original issue discount recorded in connection with the Company's 14¾% subordinated debentures and related financing costs are being charged to income over the life of the bonds.

Warrants

The value ascribed to the warrants issued in connection with the Company's 8¾% notes and related financing costs are being charged to income over the life of the notes.

Taxes on Income

The Company and its United States subsidiaries file a consolidated Federal income tax return. The Company's Canadian subsidiaries file separate Canadian Federal income tax returns.

Investment tax credits are treated as a reduction of Federal income taxes in the year the credit arises.

The Company does not provide for U.S. taxes on undistributed earnings of its Canadian subsidiaries because those earnings are considered permanently invested.

Advances and Deposits

The Company's metal working machinery subsidiaries are often required, in the normal course of business, to make deposits with suppliers prior to the delivery of machine tools. Customers, in turn, make advances on such purchases. Accordingly, customer advances of \$2,716,000 (1982) and \$1,111,000 (1981) have been included in accounts payable, and deposits with suppliers of \$2,649,000 (1982) and \$1,063,000 (1981) are included in prepaid items.

Treasury Stock

The cost of 840,466 shares of common stock of the Company at April 30, 1982 held by Milwaukee Western Corporation has been eliminated from the Company's investment therein and reclassified to treasury stock for financial statement purposes.

Accounting Change

In fiscal 1982, the Company adopted the provisions of the Financial Accounting Standards Board Statement No. 43 which sets forth the criteria for accounting for compensated absences. As a result, fiscal 1980 beginning retained earnings has been reduced by \$588,000 and the financial statements for fiscal years 1981 and 1980 have been restated to reflect this change, the effect of which is not significant.

Industry Segment Reporting

The Company is engaged principally in manufacturing and distribution businesses. Major industry segments include Replacement Parts, Fabricated Metal Products, Transportation Equipment, and Metal Working Machinery. Other businesses include Printing and Allied Products, Engineering Services, Import-Export, Real Estate and Financial Services. Reference is made to the "Financial Information by Segments", "Financial Information by Geographic Areas" and the "Primary Commercial Activities and Principal Markets Served" chart appearing elsewhere herein. Such information is an integral part of these consolidated financial statements.

Depreciation was charged to the operating income of the segments of the Company for the three fiscal years ended April 30, 1982 as follows:

	(In thousands)		
	1982	1981	1980
Replacement parts	\$1,453	\$1,218	\$1,104
Metal working machinery	134	77	45
Transportation equipment	263	242	195
Fabricated metal products	174	168	165
Other industry segments	806	704	567

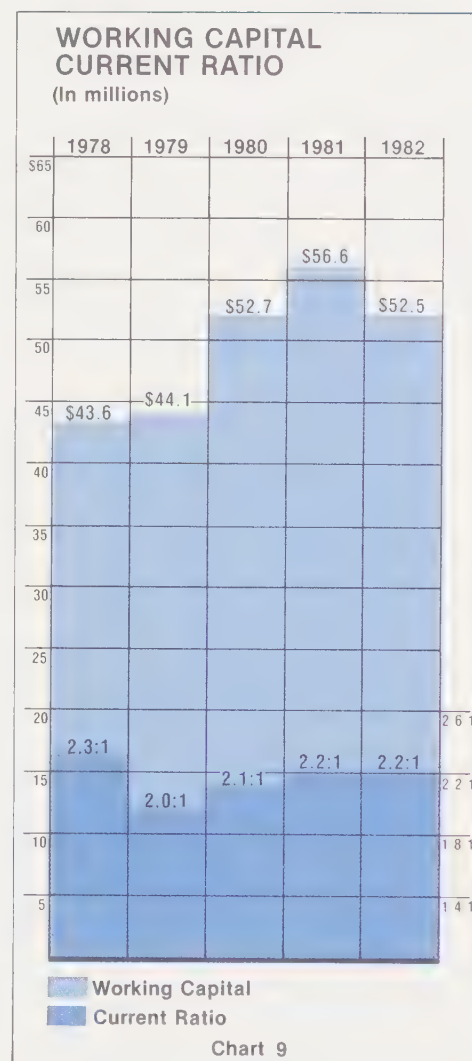
Capital expenditures were made by each of the Company's segments for the three fiscal years ended April 30, 1982 as follows:

	(In thousands)		
	1982	1981	1980
Replacement parts	\$3,319	\$1,955	\$3,211
Metal working machinery	826	601	88
Transportation equipment	247	390	619
Fabricated metal products	33	412	283
Other industry segments	789	402	1,035

Taxes on Income

Tax Provision

The provision for United States (Federal and state) and Canadian taxes





on income from continuing operations for the three fiscal years ended April 30, 1982 is summarized as follows:

	(In thousands)								
	1982			1981			1980		
	United States	Canada	Total	United States	Canada	Total	United States	Canada	Total
Current	\$ (113)	\$2,403	\$2,290	\$ 956	\$2,273	\$3,229	\$ 371	\$1,785	\$2,156
Deferred	116	(138)	(22)	154	(205)	(51)	409	32	441
Total taxes . . .	<u>\$ 3</u>	<u>\$2,265</u>	<u>\$2,268</u>	<u>\$1,110</u>	<u>\$2,068</u>	<u>\$3,178</u>	<u>\$ 780</u>	<u>\$1,817</u>	<u>\$2,597</u>

The provision for United States taxes on income from discontinued operations of the financial subsidiary for the eight months ended December 31, 1980 and the fiscal year ended April 30, 1980 was \$519,000 and \$650,000, respectively.

Provisions have been made for prepaid or deferred income taxes where differences exist between the period in which transactions affect taxable income and the period they enter into the determination of income for financial statement purposes.

Deferred income taxes arising from timing differences between financial and tax reporting consist of the following:

	(In thousands)		
	1982	1981	1980
Excess of tax over book depreciation	\$ 33	\$ 144	\$212
Land sales reported on installment method	(52)	(89)	172
Miscellaneous items (net)	(3)	(106)	57
Total deferred tax provision	<u>\$ (22)</u>	<u>\$ (51)</u>	<u>\$441</u>

The principal factors causing variations between the statutory U.S. tax rate and the resulting consolidated effective rates are as follows:

	(In thousands)		
	1982	1981	1980
Income from continuing operations before taxes on income	\$4,231	\$6,232	\$6,341
Statutory rate	46%	46%	46%
Expected income tax	1,946	2,867	2,917
Tax effect of:			
State income tax	109	152	150
Non-taxable foreign exchange (gain) or loss	257	375	(150)
Difference in Canadian tax rates	415	271	223
United States investment tax credit	(208)	(174)	(157)
Canadian inventory allowance	(355)	(303)	(335)
Loss of 55% owned subsidiary available for carry forward	114	59	—
Miscellaneous items (net)	(10)	(69)	(51)
Provision for taxes on income	<u>\$2,268</u>	<u>\$3,178</u>	<u>\$2,597</u>

It has been the practice and is the present intention of the Company to reinvest the undistributed earnings of Canadian subsidiaries in those operations; therefore, U.S. income taxes have not been provided on such earnings. In the event these earnings were remitted to the Company, foreign tax credits would be available to offset a substantial portion of such tax. The aggregate amount of such undistributed earnings was \$24,103,000 at April 30, 1982.

Tax Returns

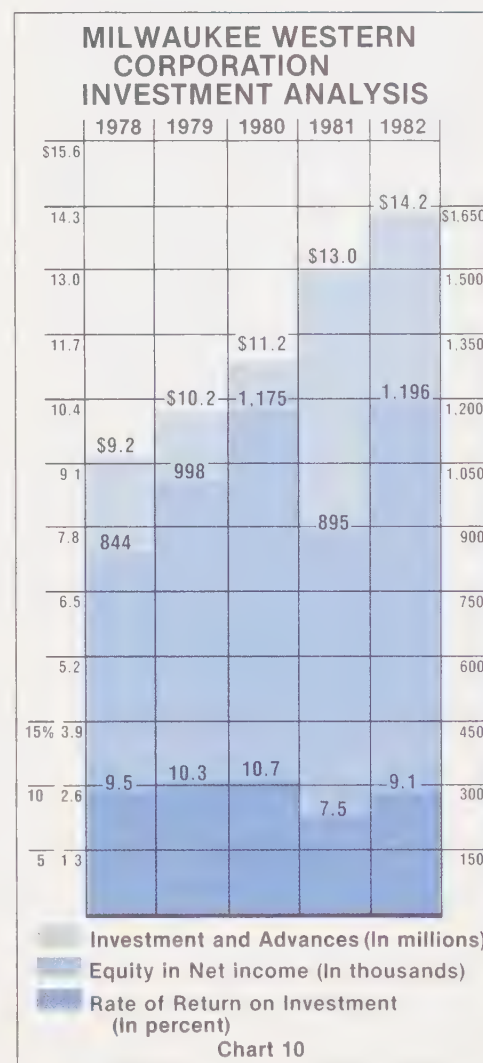
The Company's U.S. and Canadian Federal income tax returns have been examined by the United States Internal Revenue Service or the Canadian Department of National Revenue Taxation and have been settled for all years through 1978 and 1976, respectively. The Canadian Federal income tax returns for the years 1977 through 1980 are currently being examined. Discussions are continuing with Canadian officials concerning areas of potential disagreement which the Company believes will not result in a material liability.

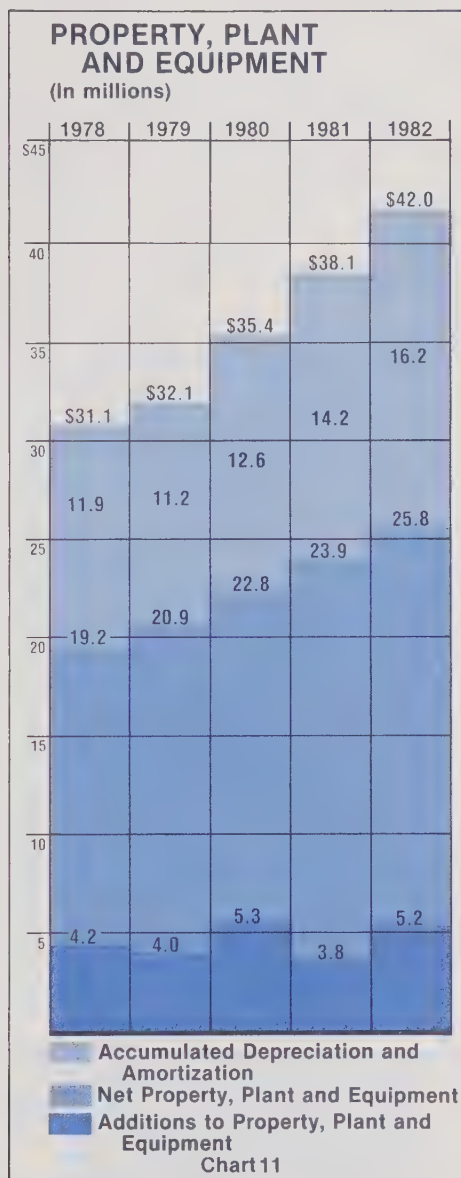
Investment in Financial Subsidiary

The condensed consolidated balance sheets of Milwaukee Western Corporation and its subsidiaries at April 30, 1982 and 1981 and the related consolidated summary of income for the three fiscal years ended April 30, 1982 are as follows:

	(In thousands)	
	1982	1981
Assets		
Cash	\$ 6,324	\$ 6,464
Finance receivables	8,607	6,930
Notes receivable	5,885	6,185
Other assets	2,114	2,041
Total assets	<u>\$22,930</u>	<u>\$21,620</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 145	\$ 118
Accrued income taxes	2,959	2,998
Notes payable	3,500	3,500
Total liabilities	<u>6,604</u>	<u>6,616</u>
Stockholders' Equity	<u>16,326</u>	<u>15,004</u>
Total liabilities and stockholders' equity	<u>\$22,930</u>	<u>\$21,620</u>

	(In thousands)		
	1982	1981	1980
Summary of Income			
Interest income	\$2,991	\$1,743	\$ 969
Net interest income	2,639	1,253	503
Income from continuing operations	1,322	626	197
Net income	<u>1,322</u>	<u>988</u>	<u>1,298</u>
SteeGo Corporation's equity in net income	1,196	895	1,175





On December 31, 1980, Milwaukee Western Corporation ("MWC") sold its 68.6% interest in Milwaukee Western Bank (the "Bank") for an aggregate purchase price of \$12,985,000, composed of \$6,800,000 in cash and nineteen negotiable promissory notes representing the balance of the purchase price. As a result of this transaction, the equity in net income of the Bank has been segregated in the consolidated financial statements as discontinued operations of financial subsidiary. The sales price was sufficient to enable MWC to recover its investment in the Bank, including taxes payable as a result of the Bank's cumulative undistributed earnings, and there was no material gain or loss on the disposition.

Property, Plant and Equipment

Property, plant and equipment consists of:

	(In thousands)	
	1982	1981
Operating properties, at cost		
Land	\$ 5,130	\$ 4,825
Buildings and leasehold improvements	14,213	12,872
Machinery and equipment	20,665	18,479
Total operating properties	40,008	36,176
Accumulated depreciation and amortization	(16,176)	(14,257)
Net book value of operating properties	23,832	21,919
Land held for development	1,972	1,972
Property, plant and equipment — net	<u>\$25,804</u>	<u>\$23,891</u>

Notes Payable

To accommodate seasonal requirements, the Company and certain subsidiaries had unsecured lines of credit with several banks with interest at prime commercial rates. There are no compensating balances required under these lines of credit.

The following summarizes additional information relative to unsecured lines of credit:

	(In thousands)		
	1982	1981	1980
End of period:			
Outstanding borrowings	\$ 300	\$ 300	\$ 2,947
Unutilized commitments	11,100	11,200	4,200
Weighted average interest rate	17%	18%	17%
During the period:			
Maximum available commitments	\$11,400	\$11,500	\$11,200
Maximum outstanding borrowings at any month end	2,800	1,679	7,429
Average monthly outstanding borrowings	825	639	4,645
Weighted average interest rate	17%	14%	16%

Long-Term Debt

Long-Term Debt Consists of:

	(In thousands)	
	1982	1981
Senior notes:		
8¾% payable to 1989, less discount of \$127,000 (1982) and \$145,000 (1981)	\$10,958	\$12,047
9% due 1983 to 1993	10,000	10,000
Notes due to banks, 5% and prime due through 1984	321	447
Mortgage notes, 5% to 14% payable to 1992	1,598	1,351
Secured and other notes payable, 5% to 18% due in installments to 1991	2,608	2,522
	<u>25,485</u>	<u>26,367</u>
Less current maturities	3,148	2,215
Senior long-term debt	<u>\$22,337</u>	<u>\$24,152</u>
Subordinated Debentures, 14¾% due February 15, 2001, with sinking fund requirements beginning 1991 and an effective interest rate of 17¾%, less discount of \$3,357,000 (1982) and \$3,599,000 (1981)	<u>\$21,643</u>	<u>\$21,401</u>

Aggregate principal amounts payable in the four fiscal years subsequent to April 30, 1983 and thereafter are: \$2,697,000 (1984), \$2,524,000 (1985), \$2,681,000 (1986), \$2,708,000 (1987) and \$33,370,000 thereafter.

Senior Notes

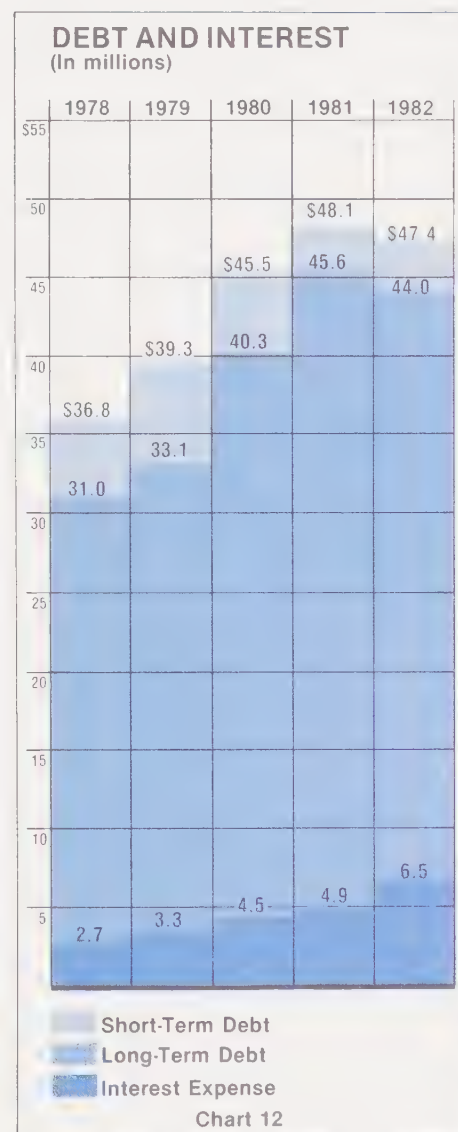
The Company has note agreements providing for loans of \$10,958,000 due in 1989, payable in equal semi-annual installments of \$1,076,000 inclusive of interest at 8¾% per annum, and loans of \$10,000,000 due in 1993, payable in equal semi-annual installments of \$707,000 commencing in fiscal 1983 inclusive of interest at 9% per annum.

Concurrent with the issuance of the 8¾% notes, the Company issued warrants to purchase 576,101 shares of its common stock, at \$2.35 per share (as adjusted). These warrants expire on January 31, 1989.

Subordinated Debentures

On March 5, 1981, the Company sold \$25,000,000 of 14¾% subordinated debentures due February 15, 2001 with interest payable semi-annually commencing August 15, 1981. The debentures, which are subordinated in right of payment to all senior indebtedness, as defined, were sold at an original issue discount aggregating \$3,650,000.

Annual sinking fund payments sufficient to retire \$1,875,000 principal amount of debentures are required commencing February 15, 1991, calculated to retire 75% of the issue prior to maturity. The Company has the





non-cumulative option to retire through the sinking fund up to an additional \$1,875,000 principal amount of debentures on any sinking fund payment date. In addition, the debentures will be redeemable at the option of the Company, in whole or in part at any time, at 105.4% of principal amount prior to February 15, 1983 and thereafter at prices declining annually to 100% of principal amount on and after February 15, 1991, in each case together with accrued interest, except that no such redemption may be made prior to February 15, 1986 directly or indirectly using borrowed funds having an interest cost of less than $17\frac{3}{8}\%$ per annum.

Restrictive Covenants

The agreements covering certain debt obligations provide for the maintenance of ratios of consolidated working capital and tangible net worth, and include covenants restricting the incurrence of liens, funded debt, certain investments and the payment of cash dividends. The agreements also provide, under certain conditions, for prepayment at the option of the Company. At April 30, 1982, under the most restrictive provisions of these agreements, retained earnings of approximately \$6,800,000 were available for the payment of cash dividends and for restricted investments.

Commitments and Contingencies

Pension Plans

Several of the Company's subsidiaries have trustee retirement plans for eligible employees. Methods of funding include current costs, plus interest on past service costs, or amortization of past service costs over periods not exceeding forty years. Based upon estimates of consulting actuaries, as of May 1, 1981 the present value of accumulated vested benefits and non-vested benefits of the Company's domestic plans were \$2,929,000 and \$209,000, respectively, using an assumed rate of return of 9%. The net assets available for such benefits at that date were \$4,027,000. The Company's foreign pension plans are not required to report to certain U.S. governmental agencies and do not otherwise determine the actuarial value of accumulated plan benefits or net assets available for benefits as determined above. For those plans, the actuarially computed value of vested benefits as estimated by consulting actuaries does not exceed the value of pension fund assets plus balance sheet accruals as of May 1, 1981. The cost of the Company's pension plans including the amortization of past service costs charged to consolidated income in the three fiscal years ended April 30, 1982 was: \$250,000 (1982), \$444,000 (1981) and \$328,000 (1980).

Lease Commitments

The Company has long-term lease commitments, principally on real estate, expiring on various dates through 1991. Certain leases require payment of property taxes, insurance and maintenance costs in addition to rental payments. During the three fiscal years ended April 30, 1982, rental payments aggregated: \$3,002,000 (1982), \$2,645,000 (1981) and \$2,302,000 (1980). Future minimum annual rental payments on existing non-cancellable lease commitments are as follows: \$1,692,000 (1983), \$1,481,000 (1984), \$1,115,000 (1985), \$719,000 (1986), \$465,000 (1987) and \$823,000 thereafter.

Stockholders' Equity

Preferred Stock

The cumulative convertible preferred shares are entitled to preference of \$10 per share upon liquidation or dissolution. The Company may redeem all or any part of these shares at any time. The following is a summary of the provisions pertaining to the preferred stock:

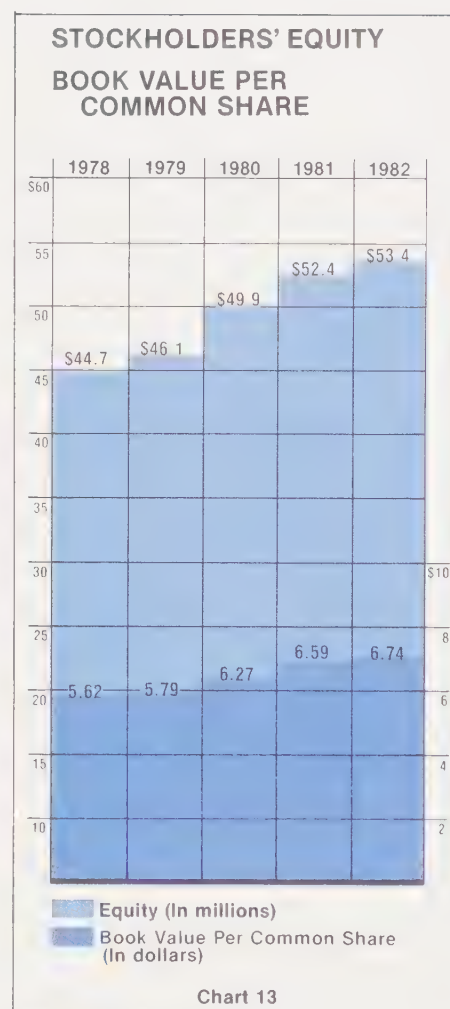
Series	Annual Dividend	Number of Common Shares Convertible Into	Voting Privilege
A	\$.45	1.135	1/4 of 1 vote
B	\$.55	1.210	None

Warrants

Warrants expiring on January 31, 1989, provide for the purchase of 576,101 shares of the Company's common stock at \$2.35 per share.

Options

Options to purchase shares of the Company's common stock have been granted to officers and other key employees through two stock option plans: The 1966 Qualified Stock Option Plan (the "1966 Plan") and the 1975 Stock Option Plan, as amended (the "1975 Plan"). During fiscal 1980, the remaining outstanding options granted under the 1966 Plan were exercised and the plan was terminated. Under the 1975 Plan, options to purchase a maximum of 550,000 shares of common stock (subject to adjustment pursuant to the anti-dilution provisions of the plan) may be granted at any time prior to February 12, 1990. An option is granted at the fair market value on the date of grant for a term not to ex-





ceed ten years and, unless otherwise provided, is exercisable in whole or in part at any time or from time to time during the term of the option. The 1975 Plan also provides for the granting of stock appreciation rights; however, none have been granted.

Changes in option price, options outstanding and options available for grant under the Company's stock option plans during the three fiscal years ended April 30, 1982 are summarized as follows:

	Price Range Per Share	Shares	
		Options Outstanding	Available For Grant
At April 30, 1979	\$1.47 - \$3.62	263,537	59,145
Granted	\$3.52	18,743	(18,743)
Exercised	\$1.47	(48,553)	—
Expired	\$2.78	(31,605)	31,605
At April 30, 1980	\$2.78 - \$3.62	202,122	72,007
Granted	\$3.29	41,895	(41,895)
Exercised	\$2.78	(7,350)	—
Expired	\$2.78 - \$3.62	(47,366)	47,366
At April 30, 1981	\$2.78 - \$3.52	189,301	77,478
Granted	\$3.57	12,600	(12,600)
Exercised	—	—	—
Expired	\$2.78	(9,085)	9,085
Increase From Plan Amendment	—	—	367,500
At April 30, 1982	\$2.78 - \$3.57	192,816	441,463

In addition to the outstanding options referred to in the above table, the Company has granted to the Chairman of the Board and Chief Executive Officer an option to purchase 115,763 shares of common stock at a price of \$3.13 per share. The option is exercisable, in whole or in part at any time or from time to time, on or prior to April 7, 1989.

General

At April 30, 1982, an aggregate of 1,624,032 shares of common stock were reserved for issuance upon conversion of preferred stock and the exercise of warrants and options.

All appropriate amounts have been adjusted for the 5% common stock dividends paid in January 1982, 1981 and 1980.

Earnings Per Common Share

Primary earnings per share are based on the weighted average number of common shares and common equivalent shares outstanding after giving retroactive effect to stock dividends and after deducting preferred stock cash dividends from net income. The shares resulting from the assumed exercise of the outstanding warrants and options are included in the average number of common and common equivalent shares outstanding.

Earnings per common share assuming full dilution are based on the primary computation adjusted as to options and warrants for market prices at the end of the period, when higher than the average price, and the assumed conversion of Series A and B Preferred Stock. Cash dividends on the Preferred Stock are not deducted from net income in the computation.

The number of shares used in the computation of primary and fully diluted earnings per share was as follows:

	Primary	Assuming Full Dilution
April 30, 1982	7,764,000	8,101,000
April 30, 1981	7,676,000	8,123,000
April 30, 1980	7,643,000	8,071,000

Gain on Sale of Investments

Fiscal 1980 includes a non-recurring gain of \$336,000 (\$242,000 after-tax, equal to \$.03 per share) from the sale of investment securities, and a gain of \$408,000 (\$294,000 after-tax, equal to \$.04 per share) from the sale of real estate investments. In addition, as part of the continuing liquidation of long-term real estate investments, the Company sold a rental property in fiscal 1980 and recognized a gain of \$473,000 (\$341,000 after-tax, equal to \$.05 per share). Offsetting this gain, the Company wrote-off \$419,000 (\$.06 per share) representing the balance of goodwill attributable to its real estate subsidiaries.

Financial Information by Fiscal Quarter — Unaudited

Refer to page 38 of this annual report for a summary of unaudited financial information by fiscal quarter.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Fiscal 1982 Compared to 1981

Consolidated sales reached \$231.3 million, 7% below the \$249 million reported in fiscal 1981. Domestic sales, which represented 61% of consolidated sales, declined \$17.3 million, or 11%, while Canadian sales declined \$385,000. Canadian sales were reduced by translation adjustments of \$18.5 million in fiscal 1982 and \$15.9 million in fiscal 1981.

Sales of the Replacement Parts and Printing and Allied Products ("non-durable goods") divisions rose \$5.2 million, or 4%, to \$126.6 million. Domestic automotive replacement parts sales increased \$5.1 million, or 13%, primarily due to price increases, the effectiveness of promotional and advertising programs and additional sales volume from new locations added in fiscal 1982. Canadian sales increased 2% after a \$12.7 million negative currency translation adjustment (\$10.7 million in fiscal 1981). Sales of the agri-equipment parts operations were 11% below fiscal 1981 primarily due to a strike in the first half of fiscal 1982 and the general decline in the agri-equipment industry. Printing and allied products sales rose 5% over fiscal 1981.

Sales of the Metal Working Machinery, Transportation Equipment and Fabricated Metal Products ("durable goods") divisions decreased \$24.2 million, or 19%, to \$100.6 million. Metal working machinery sales, in response to the downturn in the capital goods cycle, declined \$24.5 million, or 26%. Domestic sales declined 31% while Canadian sales declined 6% after reflecting a \$3.7 million negative currency transla-

tion adjustment (\$3.3 million in fiscal 1981). Transportation equipment sales were 1% higher due to a 3% rise in domestic trailer sales offset by a 7% decline in Canadian waste handling equipment sales. Fabricated metal product sales were flat with last year.

Revenue from Engineering Services, Import-Export and Real Estate activities ("services") accounted for \$4.1 million of consolidated sales in fiscal 1982 (\$2.8 million in fiscal 1981). Sales from the engineering services division increased \$140,000, or 9%, while import-export sales increased \$1.2 million on the strength of increased shipments to the Middle East. Real estate sales declined \$156,000.

Consolidated gross margins were 24% in fiscal 1982 compared to 22% in fiscal 1981. Decreased sales of lower margin metal working machinery (31% of consolidated sales in 1982 compared to 38% in fiscal 1981) was the primary reason for the increase in consolidated gross margin as a percent of sales. Operating expenses increased to 21% of sales compared to 19% in fiscal 1981. The increase in the percentage relationship of operating expenses to sales was a result of the sharp decline in metal working machinery sales while the dollar increase of \$3 million was principally due to variable expenses related to the incremental increase in non-durable goods sales volume and the effects of inflation. Interest costs rose \$1.6 million reflecting an increase in average debt outstanding and a higher effective interest rate on borrowings.

The equity in income before taxes on income of continuing operations of the financial services sub-

sidiary increased \$1.2 million as a result of a higher yield on an expanding finance receivables portfolio and interest earned on the proceeds from the sale of the commercial banking segment. The equity in net income of discontinued operations was \$327,000 in fiscal 1981.

Currency translation adjustments reduced fiscal 1982 net income by \$1,120,000 (\$.14 per share) compared to \$1,246,000 (\$.16 per share) in fiscal 1981.

Fiscal 1981 Compared to 1980

Consolidated sales increased \$18.9 million, or 8%, to a record \$249 million from \$230.1 million in fiscal 1980. Domestic sales, which represented 64% of consolidated sales, rose \$11.1 million, or 8%, while Canadian sales rose \$7.7 million, or 9%. Canadian sales were reduced by translation adjustments of \$15.9 million in fiscal 1981 and \$13.9 million in fiscal 1980.

Sales of the Replacement Parts and Printing and Allied Products ("non-durable goods") divisions rose \$3.1 million, or 3%, to \$121.4 million. Domestic automotive replacement parts sales declined 4%, despite industry wide price increases of approximately 8%. The comparative sales decline was largely a result of the closing of two marginal warehouse locations during the second half of fiscal 1980. Canadian sales rose 8% after a \$10.7 million negative currency translation adjustment (\$9.5 million in fiscal 1980) principally as the result of price increases. Sales of the agri-equipment parts operations were 11% below fiscal 1980 primarily due to a general decline in the

agri-equipment industry. Printing and allied products sales rose 17% over fiscal 1980. Revenue from Engineering Services, Import-Export and Real Estate activities ("services") accounted for \$2.8 million of consolidated sales in fiscal 1981. Sales from the engineering services division increased \$434,000, or 40%, while import-export and real estate sales declined.

Consolidated gross margins were 22% in fiscal 1981 compared to 23% in fiscal 1980. Increased sales of lower margin metal working machinery (38% of consolidated sales in fiscal 1981 compared to 35% in fiscal 1980) was the primary reason for the decline in consolidated gross margins as a percent of sales. Operating expenses decreased to 18.7% of sales compared to 19% in fiscal 1980. The dollar increase of \$2.7 million was principally the result of variable expenses related to the incremental increase in sales volume and the effects of inflation. Interest costs rose \$515,000, or 12%, reflecting the increase in total debt outstanding.

The Company continues to pursue the sale of its real estate holdings; however, there were no significant sales transactions recorded in fiscal 1981. Sales of securities and real estate investments increased net income \$458,000 (\$.06 per share) in fiscal 1980.

The equity in income before taxes on income of continuing operations of the financial services subsidiary increased 184% as a result of higher earnings of the commercial finance operations and interest earned on the proceeds from the sale of Milwaukee Western Bank. The equity in net

income of discontinued operations, which includes equity in net income of the Bank for only eight months in fiscal 1981, declined \$607,000. The provision for additional taxes on undistributed earnings of the Bank during fiscal 1981 also contributed to the decline.

Currency translation adjustments reduced fiscal 1981 net income by \$1,246,000 (\$.16 per share) compared to \$22,000 recorded in fiscal 1980.

EFFECTS OF INFLATION

The Company's inventories are valued at cost using the FIFO method of inventory accounting and, therefore, may not be indicative of the current cost of products sold. However, as a result of the rapid turnover of much of the Company's inventory and increases in selling prices to reflect current costs, the Company feels that the major impact of inflation upon its operating results has been minimized.

Also, the Company has for many years employed strict cost control measures which have reduced the impact of inflation and partially offset increases in cost which are more difficult to control. However, the charge for depreciation reflected in the results of operations does not provide a basis for assessment of the Company's ability to maintain its operating capability. If the Company's operations were restated to reflect higher depreciation charges related to the current cost required to replace existing productive capacity and facilities, reported income would decrease. Inflation also affects assets and

liabilities when the amounts are fixed without reference to specific future prices. Although the Company's net monetary assets necessary for ongoing operations have increased, they will purchase fewer goods and services in the future. Conversely, however, future monetary assets with less purchasing power will be used to repay long-term debt which is fixed in amount in historical dollars.

LIQUIDITY AND CAPITAL RESOURCES

At April 30, 1982, working capital was \$52.5 million compared to \$56.6 million at April 30, 1981. Cash and certificates of deposit decreased to \$6.3 million from \$10.7 million at April 30, 1981. Cash, accounts receivable and finished goods inventories at April 30, 1982 represent 86% and 57% of total current assets and total assets, respectively. Total long-term debt at year end was 82% of stockholders' equity compared to 87% at April 30, 1981.

During fiscal 1982, working capital provided from operations was \$3.6 million compared to \$4.9 million during fiscal 1981. Capital additions of \$5.2 million in fiscal 1982 were financed by internally generated funds, the utilization of cash reserves and additions to long-term debt secured by the acquired property of \$1.4 million. Capital additions of \$3.8 million in fiscal 1981 were principally financed by long-term borrowings. The Company had \$11.1 million of available lines of credit at April 30, 1982. It is anticipated that these lines of credit will be adequate to finance working capital requirements during fiscal 1983.



STATEMENTS OF CONSOLIDATED INCOME

Fiscal Year Ended April 30

	1982	1981	1980	See Financial Review Page
NET SALES	\$231,303,000	\$249,010,000	\$230,145,000	
Cost of sales	174,641,000	193,154,000	177,473,000	
GROSS MARGIN	56,662,000	55,856,000	52,672,000	
Selling, distribution and administrative expenses	49,579,000	46,537,000	43,820,000	
Gain on sale of investments	—	—	798,000	31
OPERATING INCOME	7,083,000	9,319,000	9,650,000	
Interest expense, net of interest income of \$1,669,000 (1982), \$1,024,000 (1981) and \$774,000 (1980)	4,843,000	3,839,000	3,574,000	
Equity in income before taxes on income of continuing operations of financial subsidiary	1,991,000	752,000	265,000	25
Income from continuing operations before taxes on income	4,231,000	6,232,000	6,341,000	
Provision for taxes on income from continuing operations	2,268,000	3,178,000	2,597,000	23
Minority interest in net loss of consolidated subsidiary	72,000	63,000	—	
INCOME FROM CONTINUING OPERATIONS	2,035,000	3,117,000	3,744,000	
Equity in net income of discontinued operations of financial subsidiary	—	327,000	934,000	25
NET INCOME	\$ 2,035,000	\$ 3,444,000	\$ 4,678,000	
EARNINGS PER COMMON SHARE				31
Primary				
Continuing operations	\$.25	\$.39	\$.47	
Net income	\$.25	\$.43	\$.59	
Assuming full dilution				
Continuing operations	\$.25	\$.38	\$.46	
Net income	\$.25	\$.42	\$.58	

See Financial Review on pages 21 through 31.

CONSOLIDATED BALANCE SHEETS

At April 30

	1982	1981	See Financial Review Page
ASSETS			
Current assets			
Cash including certificates of deposit of \$1,672,000 (1982) and \$2,355,000 (1981)	\$ 6,285,000	\$ 10,730,000	
Accounts and notes receivable, less allowance of \$1,014,000 (1982) and \$816,000 (1981)	36,284,000	40,819,000	
Inventories, principally finished goods, at lower of cost (first-in, first-out) or market	48,802,000	49,002,000	
Prepaid items	3,173,000	1,531,000	22
Total current assets	94,544,000	102,082,000	
Investment in and advances to financial subsidiary	14,214,000	13,009,000	25
Non-current notes receivable	1,557,000	1,244,000	
Property, plant and equipment, less accumulated depreciation of \$16,176,000 (1982) and \$14,257,000 (1981)	25,804,000	23,891,000	26
Cost of investments in consolidated subsidiaries over related net assets	3,907,000	3,835,000	21
Other assets	1,928,000	1,996,000	
Total assets	\$141,954,000	\$146,057,000	
LIABILITIES			
Current liabilities			
Notes payable	\$ 300,000	\$ 300,000	26
Current maturities of long-term debt	3,148,000	2,215,000	27
Accounts payable	30,319,000	32,441,000	22
Accrued liabilities	7,653,000	7,322,000	
Accrued taxes on income	624,000	3,188,000	
Total current liabilities	42,044,000	45,466,000	
Long-term debt			27
Senior long-term debt	22,337,000	24,152,000	
Subordinated debentures	21,643,000	21,401,000	
Deferred taxes on income and other liabilities	2,552,000	2,608,000	
Total long-term liabilities	46,532,000	48,161,000	
Minority interest in consolidated subsidiary	—	72,000	
Commitments and contingencies			28
STOCKHOLDERS' EQUITY			29
Preferred stock, no par value, 10,000,000 shares authorized; issuable in series			
Series A, \$10 stated value, 4.5% cumulative convertible; issued and outstanding 204,155 shares	2,042,000	2,042,000	
Series B, \$10 stated value, 5.5% cumulative convertible; issued and outstanding 54,639 shares (1982) and 104,437 shares (1981)	546,000	1,044,000	
Common stock, \$.10 par value, 15,000,000 shares authorized; issued 8,688,480 shares (1982) and 8,232,173 shares (1981)	869,000	823,000	
Capital surplus	28,910,000	27,112,000	
Retained earnings	23,691,000	24,017,000	28
Less common stock in treasury, at cost; 1,151,172 shares (1982) and 1,111,150 shares (1981)	56,058,000	55,038,000	
	2,680,000	2,680,000	
Total stockholders' equity	53,378,000	52,358,000	
Total liabilities and stockholders' equity	\$141,954,000	\$146,057,000	

See Financial Review on pages 21 through 31.



STATEMENTS OF CONSOLIDATED STOCKHOLDERS' EQUITY

Fiscal Year Ended April 30

	1982		1981		1980	
	Shares	Amount	Shares	Amount	Shares	Amount
PREFERRED STOCK						
Beginning of year	308,592	\$ 3,086,000	308,592	\$ 3,086,000	317,142	\$ 3,171,000
Conversion of preferred stock	(49,798)	(498,000)	—	—	(8,550)	(85,000)
At year end	258,794	2,588,000	308,592	3,086,000	308,592	3,086,000
COMMON STOCK						
Beginning of year	8,232,173	823,000	7,855,293	786,000	7,487,974	749,000
Common stock dividends — 5%	398,941	40,000	376,880	37,000	358,513	36,000
Conversion of preferred stock	57,366	6,000	—	—	8,806	1,000
At year end	8,688,480	869,000	8,232,173	823,000	7,855,293	786,000
TREASURY STOCK						
Beginning of year	(1,111,150)	(2,680,000)	(1,080,037)	(2,694,000)	(1,085,677)	(2,778,000)
Common stock dividends on shares held by 90.5% owned financial subsidiary . .	(40,022)	—	(38,113)	—	(36,301)	—
Exercise of stock options	—	—	7,000	14,000	41,941	84,000
At year end	(1,151,172)	(2,680,000)	(1,111,150)	(2,680,000)	(1,080,037)	(2,694,000)
CAPITAL SURPLUS						
Beginning of year		27,112,000		25,873,000		24,790,000
Common stock dividends		1,306,000		1,233,000		1,012,000
Conversion of preferred stock		492,000		—		84,000
Exercise of stock options		—		6,000		(13,000)
At year end		28,910,000		27,112,000		25,873,000
RETAINED EARNINGS						
Beginning of year		24,017,000		22,835,000		20,156,000
Common stock dividends		(1,346,000)		(1,270,000)		(1,048,000)
Cash dividends:						
Common — \$.12 per share		(889,000)		(843,000)		(798,000)
Preferred:						
Series A — 4.5% . .		(92,000)		(92,000)		(96,000)
Series B — 5.5% . .		(34,000)		(57,000)		(57,000)
Net income		2,035,000		3,444,000		4,678,000
At year end		23,691,000		24,017,000		22,835,000
TOTAL STOCKHOLDERS' EQUITY		\$53,378,000		\$52,358,000		\$49,886,000

See Financial Review on pages 21 through 31.

STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

Fiscal Year Ended April 30

	1982	1981	1980
FUNDS PROVIDED BY:			
Net income	\$ 2,035,000	\$ 3,444,000	\$ 4,678,000
Charges (credits) to income not involving cash —			
Depreciation and amortization	2,846,000	2,456,000	2,132,000
Provision for deferred taxes	(22,000)	(51,000)	441,000
Equity in net income of financial subsidiary	(1,196,000)	(895,000)	(1,175,000)
Minority interest in net loss of consolidated subsidiary	(72,000)	(63,000)	—
Reduction of cost of investment in consolidated subsidiary over related net assets acquired	—	—	419,000
Total from operations	3,591,000	4,891,000	6,495,000
(Increase) decrease in accounts and notes receivable	4,535,000	(1,086,000)	(4,513,000)
(Increase) decrease in inventories	200,000	(2,137,000)	(2,826,000)
Increase in long-term debt	1,395,000	20,743,000	10,010,000
Book value of property, plant and equipment sold	471,000	205,000	1,493,000
Exercise of stock options	—	20,000	71,000
(Increase) decrease in other assets	68,000	(82,000)	93,000
Minority interest in consolidated subsidiary	—	—	135,000
Total funds provided	10,260,000	22,554,000	10,958,000
FUNDS USED FOR:			
Increase (decrease) in prepaid items	1,642,000	(1,808,000)	1,874,000
Increase (decrease) in non-current notes receivable	313,000	(83,000)	515,000
(Increase) decrease in current liabilities	3,422,000	602,000	(3,960,000)
(Increase) decrease in deferred taxes on income and other liabilities	34,000	(396,000)	125,000
Purchase of property, plant and equipment	5,214,000	3,771,000	5,252,000
Transfer of inventory to land held for development	—	—	222,000
Reduction of long-term debt	2,968,000	16,647,000	2,747,000
Cost of investment in consolidated subsidiary over related net assets acquired	88,000	—	—
Cash dividends on common stock	889,000	843,000	798,000
Dividend requirements on preferred stock	126,000	149,000	153,000
Increase (decrease) in advances to unconsolidated subsidiary	9,000	881,000	(92,000)
Total funds used	14,705,000	20,606,000	7,634,000
Increase (decrease) in cash	(4,445,000)	1,948,000	3,324,000
CASH, BEGINNING OF YEAR	10,730,000	8,782,000	5,458,000
CASH, AT YEAR END	\$ 6,285,000	\$10,730,000	\$ 8,782,000

See Financial Review on pages 21 through 31.



FINANCIAL INFORMATION BY GEOGRAPHIC AREAS

(In thousands)

Sales and Operating Income for the Fiscal Year Ended April 30:

(in thousands)		GEOGRAPHIC SOURCE					
Sales and Operating Income for the Fiscal		TOTAL		UNITED STATES		CANADA	
Year Ended April 30:							
SALES							
1982	.....	\$231,303		\$141,456	61%	\$89,847	39%
1981	.....	249,010		158,778	64	90,232	36
1980	.....	230,145		147,656	64	82,489	36
OPERATING INCOME							
1982	.....	\$ 7,083		\$ 1,949	28%	\$ 5,134	72%
1981	.....	9,319		4,561	49	4,758	51
1980	.....	9,650		4,188	43	5,462	57

Asset Information at April 30:

IDENTIFIABLE ASSETS					
1982	\$141,954	\$ 96,423	68%	\$45,531	32%
1981	146,057	101,207	69	44,850	31
1980	138,700	97,692	70	41,008	30

FINANCIAL INFORMATION BY FISCAL QUARTER

(In thousands except per share amounts)

(In thousands except per share amounts)							Earnings Per Common Share(2)	
	Sales	Gross Margin(1)	% of Sales	Income From Continuing Operations	Income From Discontinued Operations	Net Income	Primary	Assuming Full Dilution
FISCAL 1982								
First quarter	\$ 58,409	\$13,706	23%	\$ 570	\$ —	\$ 570	\$.07	\$.07
Second quarter	58,316	13,821	24%	742	—	742	.09	.09
Third quarter	53,581	13,498	25%	301	—	301	.04	.04
Fourth quarter	60,997	15,637	26%	422	—	422	.05	.05
Fiscal Year	\$231,303	\$56,662	24%	\$2,035	\$ —	\$2,035	\$.25	\$.25
FISCAL 1981								
First quarter	\$ 60,493	\$13,358	22%	\$ 735	\$ 95	\$ 830	\$.10	\$.09
Second quarter	60,378	13,754	23%	1,057	131	1,188	.15	.15
Third quarter	64,259	12,650	20%	114	140	254	.03	.03
Fourth quarter	63,880	16,094	25%	1,211	(39)	1,172	.15	.15
Fiscal Year	\$249,010	\$55,856	22%	\$3,117	\$327	\$3,444	\$.43	\$.42

(1) Historically, the Company follows conservative accounting practices relating to the valuation of its inventories during interim periods. Estimated gross margins are used to determine approximately 50% of cost of goods sold and any cumulative inventory gains or losses are not recorded until the fourth quarter after they are verified by physical counts. During the fourth quarter of fiscal 1982 and 1981, these inventory adjustments, aggregating less than 1% of annual sales, resulted in an increase in gross margin of approximately \$1,800,000 and \$2,300,000, respectively.

(2) Adjusted for 5% stock dividend.

FINANCIAL INFORMATION BY SEGMENTS

(In thousands)

Sales and Operating Income
Fiscal Year Ended April 30:

	1982		1981		1980
SALES					
Replacement parts					
Automotive	\$104,904		\$ 98,835		\$ 95,806
Agri-equipment	10,991		12,342		13,807
Total	115,895	50%	111,177	45%	109,613
Metal working machinery (1)	70,994	31	95,462	38	81,396
Transportation equipment	22,938	10	22,668	9	19,597
Fabricated metal products	6,663	3	6,635	3	7,210
Other industry segments (2)	14,813	6	13,068	5	12,329
Total sales	\$231,303	100%	\$249,010	100%	\$230,145
					100%

OPERATING INCOME (3)

Replacement parts	\$ 5,487	56%	\$ 5,260	45%	\$ 4,462	38%
Metal working machinery (1)	2,414	24	2,979	26	3,384	29
Transportation equipment	1,564	16	2,379	21	1,529	13
Fabricated metal products	(27)	—	250	2	448	4
Other industry segments (2)	385	4	666	6	1,828	16
Operating income of segments	9,823	100%	11,534	100%	11,651	100%
General office	(2,740)		(2,215)		(2,001)	
Operating income	7,083		9,319		9,650	
Interest expense, net	(4,843)		(3,839)		(3,574)	
Financial services, continuing operations (4)	1,991		752		265	
Income from continuing operations before taxes on income	\$ 4,231		\$ 6,232		\$ 6,341	

Asset Information at April 30:

IDENTIFIABLE ASSETS

Replacement parts	\$ 64,813	46%	\$ 66,246	45%	\$ 64,769	47%
Metal working machinery (1)	26,911	19	23,935	16	24,715	18
Transportation equipment	9,886	7	10,079	7	9,442	7
Fabricated metal products	4,658	3	5,510	4	5,609	4
Financial services (4)	14,214	10	13,009	9	11,233	8
Other industry segments (2)	18,477	13	16,672	12	15,708	11
General office	2,995	2	10,606	7	7,224	5
Total assets	\$141,954	100%	\$146,057	100%	\$138,700	100%

(1) On April 30, 1982, the Company entered into an agreement to sell, subject to certain conditions, the operating assets and business of a significant subsidiary included in this segment.

(2) Other industry segments includes the real estate, import-export, engineering services, and printing and allied products segments.

(3) Operating income represents net sales, less applicable costs and operating expenses. In computing operating income of industry segments, general office expense, interest expense and interest earned have been excluded.

(4) The financial services segment is accounted for on the equity method.



FIVE YEAR FINANCIAL SUMMARY

(In thousands except stock data) Fiscal Year Ended April 30,

	1982	1981	1980	1979	1978
SUMMARY OF OPERATIONS					
Sales	\$ 231,303	249,010	230,145	205,194	187,617
Gross margin	56,662	55,856	52,672	47,747	43,851
Gross margin as a percent to sales	24.5%	22.4%	22.9%	23.3%	23.4%
Operating income	7,083	9,319	9,650	6,618	5,719
Operating income as a percent to sales	3.1%	3.7%	4.2%	3.2%	3.0%
Interest expense, net	4,843	3,839	3,574	2,612	2,128
Equity in income before taxes on income of continuing operations of financial subsidiary	1,991	752	265	147	135
Income from continuing operations before taxes on income	4,231	6,232	6,341	4,153	3,726
Provision for taxes on income from continuing operations	2,268	3,178	2,597	2,114	1,955
Minority interest in net loss of consolidated subsidiary	72	63	—	—	—
Income from continuing operations	2,035	3,117	3,744	2,039	1,771
Equity in net income of discontinued operations of financial subsidiary	—	327	934	839	664
Net income	\$ 2,035	3,444	4,678	2,878	2,435
Net income as a percent to average stockholders' equity	3.8%	6.7%	9.7%	6.3%	5.5%
Fixed charge coverage (1)	1.3 x	1.9 x	2.2 x	2.1 x	2.2 x
Canadian currency translation reduction in net sales	\$ 18,521	15,887	13,908	11,286	6,698
Canadian currency translation reduction in net income	\$ 1,120	1,246	22	1,381	1,291

STOCK DATA (2)

Earnings per common share:

Primary —					
Continuing operations	\$.25	.39	.47	.25	.21
Net income	\$.25	.43	.59	.36	.30
Assuming full dilution —					
Continuing operations	\$.25	.38	.46	.25	.21
Net income	\$.25	.42	.58	.36	.30
Dividends paid:					
Common —					
Cash per share	\$.12	.12	.12	.12	.12
Stock per share	5%	5%	5%	5%	5%
Preferred	\$ 126,000	149,000	153,000	153,000	154,000
Book value per common share	\$ 6.74	6.59	6.27	5.79	5.62
Number of common stockholders of record	11,100	11,300	11,500	11,900	12,200
Weighted average common shares outstanding:					
Primary	7,764,000	7,676,000	7,643,000	7,576,000	7,575,000
Assuming full dilution	8,101,000	8,123,000	8,071,000	7,986,000	7,963,000
Common stock price range for year	\$ 5 ⁵ / ₈ — 2 ³ / ₄	4 ³ / ₄ — 2 ³ / ₄	4 ⁵ / ₈ — 2 ³ / ₄	4 ⁷ / ₈ — 3 ¹ / ₈	5 ¹ / ₈ — 3
Common stock price/earnings range	23 x — 11 x	10 x — 6 x	7 x — 4 x	12 x — 7 x	14 x — 8 x

BALANCE SHEET DATA

Working capital	\$ 52,500	56,616	52,651	44,074	43,632
Current ratio	2.2	2.2	2.1	2.0	2.3
Property, plant and equipment:					
Cost	\$ 41,980	38,148	35,343	32,131	31,092
Accumulated depreciation	\$ 16,176	14,257	12,590	11,262	11,911
Additions	\$ 5,214	3,771	5,252	4,036	4,155
Aggregate lease payments	\$ 3,002	2,645	2,302	1,587	1,398
Total assets	\$ 141,954	146,057	138,700	123,228	112,198
Capitalization:					
Short-term debt (including current maturities of long-term debt)	\$ 3,448	2,515	5,190	6,235	5,793
Long-term debt	\$ 43,980	45,553	40,348	33,085	31,046
Stockholders' equity	\$ 53,378	52,358	49,886	46,088	44,671
Debt-to-equity ratio	82%	87%	81%	72%	69%

(1) For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before taxes on income, less income from continuing operations of financial subsidiary, plus fixed charges. Fixed charges consist of interest expense, amortization of debt discount and expense and that portion of rental expense attributable to interest.

(2) Adjusted retroactively (except common stock price data) for stock dividends.

CORPORATE INFORMATION

STEEGO CORPORATION 319 Clematis Street, West Palm Beach, Florida 33401
Telex — 51-3450
Telephone 305/655-9700

STOCKHOLDER INQUIRIES Stockholder records are maintained at the Company's corporate office in West Palm Beach. Please write to:

STEEGO CORPORATION
STOCKHOLDER RELATIONS
319 CLEMATIS STREET
WEST PALM BEACH, FLORIDA 33401

- 1) if you change your address,
- 2) have any questions regarding your account,
- 3) have any questions regarding dividend checks, or
- 4) receive duplicate mailings.

Communications regarding transfer requirements and lost stock certificates should be directed to the transfer agent named below.

**STOCK TRANSFER AGENT
AND REGISTRAR** Chemical Bank
P.O. Box 25964
Church Street Station
New York, New York 10249

**REQUESTS FOR
ADDITIONAL DATA** The annual report on Form 10-K for the fiscal year ended April 30, 1982, filed with the Securities and Exchange Commission will be furnished without charge to any stockholder, who is a record or beneficial holder of shares as of the record date for the annual meeting, upon written request to the attention of the corporate secretary.

**ANNUAL STOCKHOLDERS'
MEETING** The annual meeting of stockholders is scheduled to be held at the Hyatt Regency Hotel, 1200 Louisiana Street, Houston, Texas, at 10:00 A.M. on Thursday, August 26, 1982.

GENERAL COUNSEL Friedman & Koven
208 South LaSalle Street, Chicago, Illinois 60604



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